

CONGRESSIONAL DIGEST

PRO & CON

March, 1935

Second Month of the New Congress

Congress Faces the Question of Old-Age Pensions

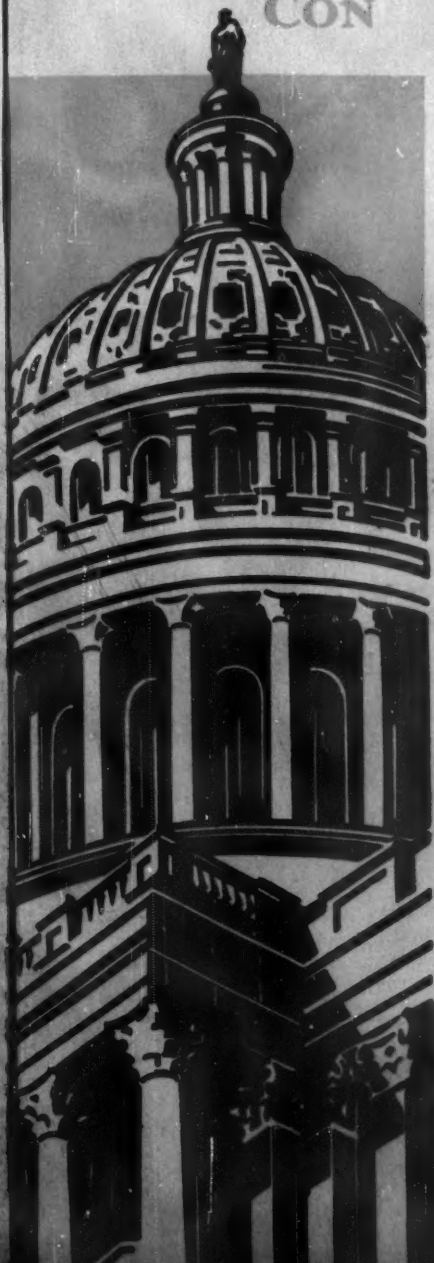
What State Governments Have Done to Date—
Allowances, Disqualifying Provisions, Costs
The Extent and Cost of Present Federal System
How Other Nations Provide for Aged Citizens
The Administration's Old-Age Pension Program
Some Alternative Plans Presented to Congress

Pro and Con Discussion by Members of Congress
Government and Business Actuaries and Experts



WASHINGTON, D.C.

FIFTY CENTS A COPY



THE CONGRESSIONAL DIGEST

The Pro and Con Monthly

Not an Official Organ, Not Controlled by Nor Under the Influence of Any Party, Interest, Class or Sect

N. T. N. ROBINSON
Editor and Publisher

A. GRAM ROBINSON
Founder

Volume 14, No. 3

2131 LeRoy Place, Washington, D. C.

March, 1935

— CONTENTS —

The Second Month of the New Congress—by N. T. N. Robinson 65

The Pro and Con Features: Congress Faces the Question of Old Age Pensions

Introduction to Study	69
State Action on Pensions for Aged Citizens	71
(a) Tracing the Movement	71
(b) Principal Provisions of State Laws	71
(c) The Disqualifying Provisions	72
(d) Some Figures from the State Laws	72
Cost of Existing Federal Pension and Retirement Systems	73
Voluntary Pension Plans in Private Industry	73
A Survey of the Foreign Systems for Care of Aged Citizens	74
Efforts Seeking Federal Action on Old Age Pensions, 1909-1935	76
Details of the Administration's Old Age Pension Program	77
Other Plans Presented to Congress	
The Townsend Plan for "Old Age Revolving Pensions"	79
Old Age Provisions of the Huey Long "Share Our Wealth" Plan	79
The Lundeen Social Insurance Plan	79

Is the Administration's Program for Old Age Pensions Sound?

AFFIRMATIVE		NEGATIVE	
Senator Robert F. Wagner	80	Senator Daniel O. Hastings	81
Professor J. Douglas Brown	82	Senator Thomas P. Gore	83
Representative Benjamin K. Focht	86	Dr. Henry E. Jackson	86
I. M. Rubinow	88	Noel Sargent	87
		Hilding Siverson	91

Is the Townsend Plan for "Old Age Revolving Pensions" Sound?

AFFIRMATIVE		NEGATIVE	
Dr. F. E. Townsend	92	Walter Lippmann	92
Robert Quillen	94	Edwin E. Witte	94

Reference List on Question of Old Age Pensions 96

Copyright 1935, by A. Gram Robinson, Washington, D. C.

Entered as Second-Class Matter September 26th, 1921, at the Post Office at Washington, D. C., under the Act of March 3, 1879. Additional entry as Second-Class Matter at the Post Office at Baltimore, Maryland, under the Act of March 3, 1879; authorized August 22, 1927.

Published every Month, except for July and August. Yearly Index to each volume, January to December, furnished on request. Current subscription rates: \$5.00 a year, Postpaid in U. S.; in Canada \$5.25; foreign rates \$5.50; current numbers 50c a copy; back numbers 75c up.

Notary fees paid only on charges over \$5.00. Indexed in The Reader's Guide and Other Indexing Publications.

SUBSCRIPTION RATES: 1 yr., \$5. 2 yrs., \$9. 3 yrs., \$12. 2 to 20 subscriptions, \$4.00 ea. 20 or more subscriptions \$3.00 ea. (To one address)
BULK COPY RATES: Single copy 50c. 10 @ 40c ea. (To one address); 25 @ 35c ea. 50 @ 25c ea. 100 @ 20c ea. (Plus Postage)

Address all Orders and Correspondence to: THE CONGRESSIONAL DIGEST, 2131 LeRoy Place, Washington, D. C.

The CONGRESSIONAL DIGEST

MARCH
1935



Vol. 14
No. 3

The Second Month of the New Congress

The Senate to the Fore

by N. T. N. Robinson

THREE events occurring in Washington during the month of February are looked upon as having what statesmen are wont to refer to as "potential political implications."

These three events were:

1. The defeat of the World Court resolution in the Senate.
2. The decision of the Supreme Court in the gold clause cases.
3. The attachment, by the Senate, of the "prevailing wage rate" amendment to the \$4,800,000,000 public works bill, thereby forcing the Administration leaders to send the bill back to committee.

Lessons in World Court Defeat

Two lessons were learned by observing politicians from the World Court defeat. One was that men like Senators Borah and Johnson and other consistent opponents of American participation in the World Court were right in their persistent maintenance that if World Court adherence were submitted to a nation-wide vote it would be overwhelmingly defeated. The other was that propaganda technique must be changed on account of the radio.

Invasion of Opposition

Except those from organizations representing international lawyers interested in building up an international jurisprudence, peace societies and internationalists in general, who urged support of the World Court resolution, the letters and telegrams received by Senators during the

last days of the fight were practically unanimous in opposition. And their volume was growing daily.

Speed of Modern Propaganda

The propaganda for the World Court has been unceasing for many years. The propaganda against it has been intermittent. And yet, within a week, the anti-Court propaganda overwhelmed the carefully built up pro-Court propaganda. In times past, newspaper and oratorical opposition would not have had time to catch up, particularly with a popular President to oppose.

Senators Borah, Johnson, Huey Long, Father Coughlin, the "radio priest," Will Rogers (not to mention the Hearst organization), all opposed the World Court over the radio. Their combined voices reached the entire country. The "kick back" was unmistakable.

Friends of the World Court accuse them of sensational appeals to popular prejudice.

Opponents of the World Court say their appeals would have been useless unless real feeling were existent. All they did, the opponents say, was to arouse public opinion to the need of prompt action and that, seeing the need, public opinion expressed itself.

There is no doubt that opposition to the resolution was increasing rapidly and that if the vote had been postponed a week a majority of the Senate would probably have voted against the Court.

Failure of Administration Strategy

The Administration lost favor because a number of the Senators felt that they had been assured that reservations would be acceptable. Apparently they misinterpreted what they had been told at the White House, for when the resolution was called up the word was passed around that the President was opposed to reservations. Later, on the eve of the voting, Administration spokesmen in the Senate were ready to consider reservations, but it was too late. The opposition had enough votes pledged against the resolution and refused to compromise.

Heretofore the World Court resolution passed the Senate with reservations, which turned out to be unacceptable to the other nations participating in the Court.

This time the resolution was rejected outright and it is not likely to be a political issue for some time to come.

MARCH
1935

Senators' Advice Unheeded

Some Democratic Senators advised the President at the beginning of the session against asking for the passage of either the World Court or the St. Lawrence Waterway resolutions. They wanted him to concentrate on domestic matters.

It now seems certain that if the St. Lawrence Waterway treaty with Canada comes up it, also, will suffer defeat.

White House Overconfident

Politically, the World Court matter is interesting because it was the first major defeat the Administration has received. Also it is interesting because it caught the White House napping.

So convinced was the Administration that the Court resolution would go through untouched that the State Department passed that information along to the diplomatic corps as a certainty. The diplomats all informed their governments that it would be passed and American ambassadors and ministers in foreign countries passed out the same information.

Either the Administration misjudged public opinion or felt that its prestige was strong enough to override opposition.

The Gold Clause Decision and the Citizen

When Senator Carter Glass of Virginia made his bitter remark on the gold clause decision of the Supreme Court he reflected the sentiments of a large proportion of members of the Senate and House regarding that now-famous 5 to 4 verdict.

In the course of debate in the Senate on February 21, Senator Glass said:

"The Court said that what was written on these notes was a cheat and a repudiation, and said that, in spite of this cheat and repudiation, if a holder of a note undertakes to get what is due him he can go to hell."

Experienced politicians see in the gold decision the germ of a possible political slogan of no mean drawing power. No matter what the lawyers may say about it, and they will be arguing it for years to come, the politicians are wondering as to the possibilities of a "protect the rights of the American citizen" movement.

The New Deal and Individual Freedom

Senators Borah and Nye have made decided headway against NRA with their charges that it is ruining the little business man. Many have charged that New Deal policies involve the forfeiture of individual freedom and, while these latter charges have not apparently got very far with the public, some members of the Senate and the House have a hunch that, sooner or later, they will be listened to.

The Senate and the Works Bill

This is, in part, responsible for the fight in the Senate against the \$4,800,000,000 works bill, but not entirely, since there are many other elements involved in that struggle.

Worried Senators and Representatives argue that if Congress had not given the President authority to change the gold content of the dollar, the President could not have done so. If they give him four billion eight hundred

million dollars to spend any way he chooses and his manner of expenditure causes adverse comment, Congress can and will have to share the blame.

If a "protect the rights of citizens" cry arises they will be found guilty, so to speak.

If they could only be certain of how long public approval of the New Deal spending proclivities would last they would be easier in their minds.

Several of the most famous of the New Deal agencies have lost popularity, while the fate of others is hanging in the balance. The Supreme Court appears to be following the President in veering to the right one day and to the left the next.

Looking Toward 1936

The lower Federal courts have, however, recently handed down decisions against the NRA and against TVA.

These and other New Deal agencies were set up by the President either by specific or blanket authority given him by Congress.

What the members of the Senate and House are trying to figure out is what the status of the New Deal will be in 1936. If they ride along with it now and it is popular in 1936 they will be all right. But if its popularity should be at a low ebb, they are quite likely to suffer.

Hence the desire to earmark the appropriations contained in the big works bill.

There was much talk of this in the House, but on the showdown the Administration won out. In the Senate Committee on Appropriations the bill was somewhat amended but the appropriation was not cut.

The "Prevailing Wage" Amendment

On the floor of the Senate the Administration sustained an unexpected defeat when the McCarran "prevailing wage rate" amendment was adopted by a vote of 44 to 43. The original bill provides that the top wage for workers on public works shall be \$50 a month.

The American Federation of Labor demanded that the bill provide that these workers be paid the prevailing wage of the locality in which they were employed.

After the amendment was adopted Administration leaders had the bill sent back to committee on the ground that if it went to the White House with the McCarran amendment it would be vetoed by the President.

And there the matter rests.

The White House-Congress Football Game

A coterie of House members, recalling that the Roosevelt Administration will have reached the two-year halfway mark on March 4, set about checking up the score in the football terms so dear to the President. Finally they reached agreement thus:

The first quarter was a runaway for the Administration. It relied chiefly upon power plays with a few trick plays here and there.

It continued scoring at will in the first part of the second quarter. In the latter part of the second quarter it pulled three big plays with the following results:

The World Court Forward Pass. This pass was intercepted by the opposition who ran it back 90 yards for a touchdown.

The Gold Clause End Run. This play gained ten yards but the spectators booed the referee for what they considered a doubtful decision.

The Four Billion Dollar Works Line Plunge. This play broke through the line (the House) but was smeared by the secondary defense (the Senate).

The officials have called time and the two teams are in their dressing rooms concocting new strategy for the third and fourth quarters.

The Administration's "Half-Way Mark"

Anybody with the slightest claim to acquaintance with American political history knows that a new President always runs into foul weather at the end of his second year. It is the famous "Half-way Mark" of all administrations.

Many of the New Dealers felt that the President's popularity was so great to begin with and the approval of him was so strong in November, 1934, when the Democrats were given an overwhelming majority in both branches of Congress, that he would prove the exception to the rule.

They scoffed at old timers who warned them that trouble was apt to come suddenly and from an unexpected source. Since the defeat of the World Court and the forcing of the McCarran amendment by organized labor, they are beginning to wonder.

Apparently the strategy of the Administration involves assiduous cultivation of the House. The Senate is unquestionably off the reservation. Among the most vigorous of New Deal opponents are Democratic Senators of influence. They are not opposed to everything the Administration advances, but are exercising independent action whenever it suits them. The result is that the Administration cannot be sure of control at any time.

The President Looks to the House

Therefore, the President has turned his attention to the House, where he has better control.

The plan is to have the House pass important Administration bills in the shape the President wants them. Then, if the Senate amends these bills in a manner distasteful to the Administration, the House will disagree to the Senate amendments and the bill will go to conference. The Administration will count upon House conferees to stand firm in each instance and wear down the Senate opposition.

Loosening Up on Patronage

Of interest in this connection is the word that has been passed around among Democratic Representatives recently regarding patronage. The Democratic leaders have announced to their colleagues that when the works bill is passed and the allotments have been made for continuation of the Civilian Conservation Camps, each camp will have a foreman and an assistant foreman and that the appointment of these officers will be made upon recommendation of Members of the House and not upon recommendation of Senators.

There are more than 1,600 CCC camps and with two officers for each there will be more than 3,200 political appointments to be divided among 320 Democratic Representatives, or at least ten jobs per Representative.

In the meantime the Administration is awaiting the

reaction of public opinion on the works bill. It is convinced that the public wants Government relief to continue, and that the Senate will soon find this out.

The Lull in the Battle

Senators who are opposing the works bill because of its magnitude and because of its blanket authority to the President, admit that there is a continued demand for Government aid in every state in the Union, but hold that it is time not only to taper off but definitely to declare, by Congressional action, how each dollar should be spent.

Some of them are opposed to the public works idea because they are convinced that it is not a real employment-making system.

Other Senators, among them La Follette of Wisconsin and Costigan of Colorado, are in favor of much larger appropriations for public works.

As the DIGEST goes to press there is a lull in the battle.

In the meantime much other legislation important to the Administration is hanging fire in committees.

NRA

On February 20, President Roosevelt sent to Congress his anticipated recommendation for a two-year extension of the National Industrial Recovery Act, which, if not extended, will automatically lapse on June 16 next.

In his message the President recommended further:

Coordination of codes, simplification of procedure and a more precise definition of policy.

Unquestioned power for the Government to impose codes providing minimum wages, maximum hours, the abolition of child labor and certain basic standards of fair practices.

Protection of the rights of employees freely to organize for the purpose of collective bargaining.

More adequate application of the antitrust laws.

Provision for Government supervision over certain natural resources, such as coal, oil and gas.

More effective means for NRA enforcement based on civil action instead of putting people in jail.

As outstanding accomplishments of the National Recovery Administration, the President described it as the biggest factor in giving jobs to 4,000,000 unemployed, and as the instrumentality for abolishing child labor.

The Administration is leaving entirely to Congress the drafting of the legislation needed to continue NRA and not sending to the Capitol a bill already prepared as in the case of the original act. All bills on the subject will be considered by the House Committee on Ways and Means and the Senate Committee on Finance.

The widespread dissatisfaction with NRA, as at present constituted, makes it certain that the discussions of the legislation to continue it will be sharp in both the Senate and the House.

Just before the President's message reached the Capitol the Senate Committee on Finance agreed to report the Nye-McCarran resolution to investigate the NRA. Sena-

tor Nye, together with Senator Borah, has been one of the leading critics of what they consider the monopoly breeding tendencies of NRA.

It seems certain that NRA will be continued in some form, but until the whole question is aired at committee hearings it will be impossible to obtain a definite estimate of the sentiment of Congress.

Public Utilities

The House Committee on Interstate and Foreign Commerce is holding hearings on the bill introduced by the committee chairman, Representative Sam Rayburn, of Texas, which provides for the abolition within five years, of public utility holding companies.

This bill is aimed at water power companies. It will pass the House, in all probability, but a fight against it may develop in the Senate. Sentiment against holding companies is strong, however, and any bill that strikes Senators as likely to be really effective would seem to have an excellent chance of passing the Senate.

RFC

The bill to extend the life of the Reconstruction Finance Corporation for two years from January 31, 1935, has been signed by the President.

The RFC, oldest of the "alphabet agencies," was

created upon recommendation of President Hoover in 1930 as an instrument for rendering aid to industry.

As of January 31, 1935, the RFC had loaned \$4,925,050,526.33 to business concerns. Of this amount, \$2,559,966,708.87, or more than 50 per cent, has been paid back. RFC officials are confident that when the final check-up occurs, their percentage of returns will be close to 100.

These figures cover money loaned to private industry and do not take into account money allocated to various New Deal agencies for relief purposes under direct mandate from Congress.

Veterans' Relief

As soon as the House Committee reports the re-draft of the Administration's Economic Security bill, it will begin consideration of the soldier bonus bills which have been referred to it. It is probable that the Committee will report the Vinson bill, but advocates of the Patman bill, which provides for currency inflation are bending every effort to have the latter measure passed by the House.

Any sort of bonus bill will pass both houses of Congress. The aim of the Administration leaders in the House and Senate is to get an agreement on some kind of bill which the President will sign.

So far the battle has been more or less under cover, but it will break out in public as soon as the committee hearings begin.

Personnel of the 74th Congress, Now in Session

Duration—January 3, 1935 to January 3, 1937. First Session Convened January 3, 1935

In the Senate

Membership
Total—96

69 Democrats
1 Farmer-Labor

25 Republicans
1 Progressive

Presiding Officer

President: John N. Garner, D.
Vice-President of the United States

Floor Leaders

Majority Leader Joseph T. Robinson, Ark., D. *Minority Leader* Charles L. McNary, Ore., R.

Officers

President Pro Tempore
Key Pittman, Nev., D.

Secretary

Edwin A. Halsey

Sergeant at Arms
Chesley W. Jurney

Chaplain
ZeBarney Thorne Phillips, D.D.

In the House

Membership
Total—435

320 Democrats
3 Farmer-Labors

102 Republicans
7 Progressives

3 Vacancies

Presiding Officer

Speaker: Joseph W. Byrns, D.
Member of House from Tennessee

Floor Leaders

Majority Leader Wm. B. Bankhead, Ala., D. *Minority Leader* Bertrand H. Snell, N. Y., R.

Officers

Clerk of the House
South Trimble

Sergeant at Arms
Kenneth Romney

Doorkeeper

Joseph J. Sinnott

Chaplain

James Shera Montgomery, D.D.

Congress Faces the Question of Old-Age Pensions

Introduction to Study

As an integral part of President Roosevelt's broad program for social security the question of Federal participation in a nation-wide old-age pension system is now before Congress.

The President's social security program comprises four types of aid: (1) Unemployment insurance; (2) old-age pensions; (3) Federal aid to dependent children, mothers' pensions, etc.; and, (4) additional Federal aid to state and local health agencies.

The question of unemployment insurance was dealt with in the February number of the *DIGEST*. This month's special feature is confined to old-age pensions.

On January 17, 1935, the President sent to Congress a message recommending the prompt passage of legislation to put this program into effect, his message being accompanied by the report of the President's Committee on Economic Security, which committee had been appointed in June, 1934.

Bills to make effective the President's program were immediately introduced by Senator Robert F. Wagner, Democrat, of New York, and Representative David J. Lewis, Democrat, of Maryland, and were referred, respectively, to the Senate Committee on Finance and the House Committee on Ways and Means.

In order to save time the two committees began holding hearings simultaneously. As soon as the hearings were completed the two committees went to work on preparing the bills for report to the Senate and House. The Committee on Ways and Means was scheduled to make its report to the House around March 1. The Senate Committee on Finance will wait until the bill passes the House, reaches the Senate and is referred to the Committee before making its report.

In his message to Congress submitting his social security program President Roosevelt wrote: "In the important field of security for our old people it seems necessary to adopt three principles—first, noncontributory old-age pensions for those now too old to build up their own insurance; it is, of course, clear that for perhaps 30 years to come funds will have to be provided by the States and the Federal Government to meet these pensions. Second, compulsory contributing annuities, which in time will establish a self-supporting system for those now young and for future generations. Third, voluntary contributing annuities by which individual initiative can increase the annual amounts received in old age. It is proposed that the Federal Government assume one-half of the cost of the old-age-pension plan, which ought ultimately to be supported by self-supporting annuity plans."

The reason the Economic Security bill went to the Committee on Ways and Means and the Committee on Finance is that these are the two committees which pass upon all revenue-raising measures. The revenue provisions of the bill are those providing for the levying of taxes on payrolls to meet the cost of unemployment insurance and contributory old-age annuities.

Constitutional authority for the proposed legislation, its authors state, is contained in Article I, Section 8, of the Constitution of the United States, known as "The Welfare Clause," which reads:

"The Congress shall have Power to lay and collect Taxes, Duties, Imports and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; * * *

It is expected that the bills will be completely redrafted before they are reported from committee. It may be that they will be split into two or three parts, a separate bill to be reported for each subject—unemployment insurance in one bill, old-age pensions in another and child welfare in another.

The President said in his message that he would not press for the passage of "health insurance" legislation.

To begin the study of the old-age pension problem in Congress the first question to be asked by the student is: "Why?"

That is to say, he should look for the causes that led to the introduction in Congress of the pending bills providing for Federal legislation on the subject.

The answer of the Administration and others to this primary question will be found in the program of the President's Committee on Economic Security; in the article on old-age pension laws in foreign countries, and in the articles in the Pro section, notably those by Senator Wagner, Dr. Townsend, and Mr. Rubinow.

Challenges to the accuracy of their answers will be found in the Con section.

Assuming that the establishment of the old-age pension system by Congress is necessary, desirable, or advisable, the next question the student must ask is:

"How?"

And this brings him to the exact point at which Congress has arrived.

The questions involved in the "How" are many and complicated.

In the first place, who will be benefited? All persons 60, 65 or 70 years and over?

If so, are those who have jobs or independent incomes or who are being cared for by relatives or in homes for the aged to receive Government pensions? Or only those who literally have no one to care for them? Aid to the

discussion of this phase of the question will be found in the list of disqualifications in the various existing state laws (page 72).

Who is to pay for the old-age pensions?

Should the Federal Government bear the entire cost, raising the money by general taxation? Should the cost be divided between the Federal and the State Governments? Should industry be compelled to set up old-age insurance systems under Government control?

These questions are answered in the report of the President's Committee on Economic Security which presents three separate plans. (See page 77.)

Dr. Townsend, Senator Long, Representative Lundeen offer different solutions. (See page 79.)

Having informed itself on the reasons given for the need for old-age pension legislation and on the methods for establishing it, the class is now in a position to consider the various arguments for and against the proposals. The following would appear to be the principal points so far brought out by the proponents and opponents which are of course augmented in the pro and con section, beginning on page 80.

Arguments For

1—The establishment of a governmental old age pension system is necessary because (a) economic conditions in America are such that an increasing number of citizens of 65 years and over find themselves practically destitute (b) their care by their children or by religious and charity organizations is proving inadequate. Therefore, the task of caring for them should be a public task.

2—The Federal Government should share this burden with state, county and municipal governments, because it is too great for them to bear alone.

3—The care of those now 65 years old and who will reach that age within the next few years should be arbitrarily taken over by joint Federal and State appropriations: (a) because there is no chance for the aged to care for themselves, (b) because it is increasingly more difficult for their relatives to care for them, and (c) because, by lifting the burden from the shoulders of the families of the aged, the general economic condition of younger citizens will be improved.

4—The care of those who will not reach the age of 65 for several years should be anticipated by the setting up of a compulsory old age pension system by which employers and employees shall contribute a percentage of their payrolls to be set aside for old age retirement.

By doing this employers will be relieved of setting up retirement funds for their employees, while the employees, by contributing to the fund, will be earning their old age pension and will draw it, when they reach 65, as a right and not receive it as charity.

5—For those who are not employers—who either own their own businesses or who have independent incomes, the Federal Government should set up a voluntary old age pension system for the benefit of those who desire to use it as a method for providing for their old age.

6—In all cases the old age pension should be of sufficient amount to insure the recipient of a decent living. By being guaranteed comfort in their old age, citizens will be relieved of providing security for the future, during their active years, and younger people will start life with better prospects.

7—It is also contended that retirement at 65 will release jobs for the younger generation, now unemployed.

Note: Additional arguments not cited here will be found in connection with the Townsend plan which advocates a \$200 a month pension for all over 60 as a panacea for the depression (see pp. 92-94)

Arguments Against

1—The care of the aged who are absolutely destitute and who have neither family, religious nor fraternal connections to care for them, should be cared for by the public. But each community should care for its own destitute aged.

Granted that economic conditions are at present out of gear, the situation regarding the needy aged can be met by temporary relief appropriations. In normal times the state, county and municipal governments have cared for the aged. Their funds, during the emergency, should be augmented by Federal Emergency relief funds, but only for the sake of emergency expediency.

2—The Federal Government has no business to guarantee the economic security of its citizens as a right because it is impossible to do so unless the Federal Government takes over all production, industrial and agricultural.

3—To set up joint care of the aged by the Federal and State Governments would mean a heavy burden of general taxation. Instead of improving the economic standard of the younger citizens this taxation would increase their burdens.

4—The establishment of a compulsory old age insurance contributed by employers and employees in industry to anticipate the care of those reaching retirement age within a few years, would increase the burden upon those who are working, since their contributions in addition to the payment of general taxes to provide present old age pension funds, would leave them with a bare living wage for themselves.

The plan for an enforced tax on payrolls to be collected and handled by the Federal Government will set up a gigantic bureaucracy, the cost of which will inevitably mount because of increasing political demands.

A plan of this type might start off well, but soon organizations of employees would bring political pressure to bear to transfer the burden of their contributions from themselves either to their employers or to the Government and eventually the employers will follow the lead of the employees with the net result that the entire cost will be borne by the Federal Government.

5—There are any number of well established, privately operated insurance companies which sell annuity policies, so that for the Federal Government to go into the voluntary old age pension business is a useless encroachment on legitimate private business.

6—No Government can insure any class of its citizens a decent living out of Government funds. All Government funds are raised by taxation. If industry and agriculture are forced to face steadily increasing taxation they will inevitably be destroyed and the creation of wealth will finally be stopped entirely. The suggestion that the Federal Government can guarantee security to its citizens is a false promise to bolster up the New Deal demand for increasing Federal power and, if adopted, will be but one step more toward a completely centralized Federal dictatorship and paternalism.

State Action on Pensions for Aged Citizens

a. Tracing the Movement, 1907-1934

1907—A commission was appointed in Massachusetts to investigate and report on the advisability of the enactment of an old-age pension law.

1915—The Arizona legislature passed an act abolishing almshouses and establishing old age and mothers' pensions. On the ground that it was loosely drawn and vague, the Arizona courts declared this act unconstitutional.

Alaska enacted a law providing a pension of \$12.50 a month to those 65 years of age and over who meet certain requirements as to residence, character and need. This was the first old-age pension law to be put into effect in American territory.

1923—Nevada, Montana and Pennsylvania passed old-age pension laws.

The question was put to a referendum in Ohio and was rejected by a vote of 2 to 1.

1924—The Pennsylvania old-age pension law of 1923 was declared unconstitutional on the ground that the Pennsylvania constitution prohibits the legislature from making appropriations for charitable or benevolent purposes.

1925—This year was marked by activity concerning old-age pension legislation in a number of states.

In Nevada, the old-age pension law of 1923 was repealed, and a new law enacted in its place. Efforts to repeal the old-age pension law in Montana failed.

The Pennsylvania legislature created a commission to study the subject and passed a resolution for a constitutional amendment to permit legislative appropriations for old-age pensions.

The Wisconsin legislature passed an old-age pension act and the governor signed it.

The California legislature passed an old-age act, but the governor vetoed it.

Old-age pension bills were introduced in the legislatures of Michigan, Illinois, Minnesota, Ohio, Maine, New Jersey, Indiana, Texas and Kansas. These bills made various degrees of progress in the different state legislatures, but none was passed.

In Colorado, Minnesota and Utah commissions were appointed to study the subject.

1926—The Kentucky legislature passed an old-age pension law effective June 24, 1926.

The Washington legislature passed an old-age pension act but the governor vetoed it.

In Virginia a commission recommended the enactment of an old-age pension law. Bills were introduced in the legislature, but were not acted upon.

In Massachusetts a commission divided on its recommendations and the legislature failed to act.

In New York a joint legislative committee was ap-

pointed to study the conditions of the aged in the state and make recommendations for legislation.

1927—Maryland and Colorado passed old-age pension laws.

1928—The Massachusetts legislature passed a "public bequest" law, with old-age benefit provisions.

1929—In California, Minnesota, Utah and Wyoming, old-age pension laws were enacted.

1930—In New York and Massachusetts old-age pension laws were enacted, the latter superseding the "public bequest" law of 1928.

1931—During this year old-age pension bills were pending in 38 states. In five states—Delaware, Idaho, New Hampshire, New Jersey and West Virginia—old-age pension bills became law. In five other states—Wisconsin, Colorado, Wyoming, Minnesota and Maryland—acts previously passed were amended. The Pennsylvania constitution was amended to permit the legislature to enact an old-age pension law.

1933—In this year old-age pension laws were enacted in ten states—Arizona, Indiana, Maine, Michigan, Nebraska, North Dakota, Ohio, Oregon, Pennsylvania and Washington and, also, in the Territory of Hawaii.

An old age pension law was enacted in Arkansas but was declared unconstitutional by the Arkansas Supreme Court because of the method of financing provided.

1934—By this year, 28 states and 2 territories had established State old-age pension systems.

b. Principal Provisions of State Laws

MORE than half of the States had, by 1934, adopted legislation for the protection of the aged needy. Of the 28 States and 2 Territories with such laws, 23 have adopted the mandatory type,* while the other States have provided an optional system dependent upon the counties for acceptance of the act. In 1933, 10 States (Arizona, Indiana, Maine, Michigan, Nebraska, North Dakota, Ohio, Oregon, Pennsylvania, and Washington) and the Territory of Hawaii passed new laws establishing an old-age pension system, and Colorado passed an act to take the place of the previous one which had been declared unconstitutional. A law was passed in Arkansas in 1933, but it was declared unconstitutional by the State supreme court, because of the method used in financing the pension fund. While the old-age pension law in Pennsylvania was passed at the special session in 1933, it was not approved by the Governor until January 18, 1934; the act became operative in December, 1934. By a referendum vote of 3 to 1, the electorate of Ohio placed an old-age pension law on the statute books. In the early part of 1934, an old-age pension law was adopted

*The laws of Wisconsin become mandatory in 1935.

in Iowa. In Maryland the law was made mandatory for Allegany County. By court decision and opinion of the attorney general, the laws in Washington, Minnesota, and Oregon were held mandatory and it was held to be the duty of the counties to pay the pensions provided for in the law.

In 15 jurisdictions the applicant must have reached 65 years of age, in 14 States 70 years of age, and in 1 State (North Dakota) 68. The electorate in Wisconsin voted in a State-wide referendum in April to recommend to the legislature a reduction in the age requirement from 70 to 60 years of age.

Seven of the laws provide that the State shall pay the whole cost of financing the pension system, nine States provide for State aid to the counties, and in 14 jurisdictions the entire cost is placed upon the county.

The required period of State residence varies from 35 years in Arizona to 5 years in Delaware. Seventeen States require 15 years' residence, 8 States require 10 years' residence, Massachusetts and North Dakota specify a period of 20 years, and in Alaska an applicant must have resided in the Territory since 1906.

In Alaska and Delaware the act is administered by a State agency; in Iowa, Maine, Michigan, New York, Ohio, and Pennsylvania, by county boards under State supervision; and in the remaining jurisdictions by the county authorities.—*Extracts, see 2, p. 96.*

c. The Disqualifying Provisions

In all the State old-age pension laws are provisions disqualifying varying classes of persons from receiving benefits under the laws. These disqualifications are not uniform in the various states, but the following are listed by the Committee on Economic Security as being found in one or another of these laws:

- a. Inmate of any prison, jail, insane asylum, or correctional institution.
- b. Desertion of spouse.
- c. To have failed without just cause to provide support for wife and minor children.
- d. Relatives legally liable and able to support.
- e. Sentence for crime.
- f. Disposed of or deprived oneself of property to qualify for pension.
- g. Need of institutional care.
- h. Recipient of pension from Federal, State, or foreign government.
- i. Habitual tramp, vagrant, or beggar.
- j. Unable to earn at least \$1 per day.
- k. Spouse and children able to furnish support.
- l. Convicted of crime involving moral turpitude.
- m. To have failed to work according to ability.
- n. Inmate of benevolent, charitable, or fraternal institution.
- o. Husband, wife, parent, or child able and responsible for support.
- p. Children liable and able to support.

Conditions to be met under some of the State laws before one may receive benefits

- A. Transfer of applicant's property to pension authority may be demanded before pension is granted.
- B. Amount of payments to be collected from estate on death of pensioner or the survivor of a married couple.
- C. Allowances for funeral expenses.
- D. Payments may be made to charitable or benevolent institution if pensioner is inmate.

d. Some Figures from the State Laws

State	Year adopted	Pension age	No. of pensioners ^a	No. of eligible age ^b	Average pension ^c	Yearly cost ^d
STATE-WIDE MANDATORY SYSTEMS—						
Alaska	1915	65	446	3,437	\$20.82	\$95,705
(women)		60				
Arizona	1933	70	1,974	9,18	9.01	200,927
Calif.	1929	70	19,300	210,371	21.16	3,502,000
Colorado	1933	65	8,705	61,787	8.59	172,481
Delaware	1931	65	1,610	16,678	9.79	188,740
Hawaii	1933	65				
Idaho	1931	65	1,275	22,310	8.85	114,521
Indiana	1933	70	23,418	138,426	16.13	2,254,169
Iowa	1934	65	13,000	184,239	13.50	475,000
Maine	1933	65				
Mass.	1930	70	20,023	156,590	24.35	5,411,723
Michigan	1933	70	2,660	148,853	19.59	306,096
Minnesota	1929	70	2,655	94,401	13.20	420,536
Nebraska	1933	65				
New Hamp.	1931	70	1,423	25,714	19.06	298,722
New Jersey	1931	70	10,560	112,594	12.72	1,375,693
New York	1930	70	51,228	373,878	22.16	13,592,080
No. Dak.	1933	68				
Ohio	1933	65	24,000	414,836	13.99	3,000,000
Oregon	1933	70				
Penn.	1933	70				
Wash.	1933	65	2,239	101,503		
Wyoming	1929	65	643	8,707	10.79	83,231
COUNTY OPTIONAL SYSTEMS—						
Kentucky	1926	70				
Maryland	1927	65	141	92,972	29.90	50,217
Montana	1923	70	1,781	14,377	7.28	155,525
Nevada	1925	65	23	4,814	15.00	1,320
Utah	1929	65	930	22,665	8.56	95,599
W. Va.	1931	65				
Wisconsin	1925	70	1,969	112,112	16.75	395,707
Total			180,003			\$31,192,492

^aWhere no reference is given, figures are as of Dec. 31, 1933.

^b1930 Census figures.

^cWhere no reference is given, figures represent actual cost for year 1933.

^dAs of December 1934.

^eAs of Oct. 1, 1934.

^fNo information available or not computed.

^gAs of August 1934.

^hAppropriation for 1934.

ⁱEstimated from expenditures of April through Nov. 1934, \$317,000.

^jNo pensions being paid.

^kNot yet in effect.

^lAs of November 1934.

^mEstimated from monthly figures.

ⁿNot much being done due to lack of funds.

^oAs of September 1934.

^pNo pensions being paid now.

^qAdministered by counties; no information available for State.

^rLaw just being put into effect.

Source: Data collected by the Committee on Economic Security.

Cost of Existing Federal Pension and Retirement Systems

In nearly all branches of the Federal Government some form of retirement pension is provided for employees. Since their earliest days the Army and Navy have had retirement systems. In 1920 the Federal Civil Service Retirement Act was passed to provide for the retirement of civil service employees. Veterans' pension systems have been in effect since the earliest days of the Republic.

Disbursements for retired civil service employees and Army and Navy officers and men and pensions for war veterans represent the principal expenditures of the Federal Government for old age security, the annual expenditures for these three systems amounting to more than \$396,000,000 for the fiscal year ending June 30, 1934.

In addition to these the following have separate retirement systems:

Judges of the Supreme Court, career employees of the Diplomatic and Consular Service, the Light House Service, the Coast and Geodetic Survey, the Public Health Service, and policemen, firemen and school teachers of the District of Columbia. Each of these retirement systems covers a small group of employees as compared to the civil service, Army and Navy and war veteran systems. All civil employees contribute to their retirement funds.

Army and Navy Retirement Pay

The retirement pay of Army and Navy officers and men is paid for entirely by the Government, with no contributions from the beneficiaries. It is, in fact, part of the Government's contract with the officers and men, entered into when they join one of the branches of the armed forces. The civilian employees of the two services are under the civil service retirement system. The number of officers and enlisted men on the retired list, with the total value of the annual retired pay they were receiving as of June 30, 1934, follows:

Army—Officers, 2,844, total retired pay, \$7,893,009; warrant officers, nurses and enlisted men, 10,177, total retired pay, \$11,452,017. Grand total officers, men and nurses, 13,021. Grand total annual retirement pay, \$19,345,026.

Navy—Officers, 2,194; annual retirement pay, \$6,872,307; enlisted men, 3,666; annual pay, \$4,535,391. Grand total officers and men, 5,860. Grand total annual retirement pay, \$11,407,698.

Veterans' Pensions

Under the Economy Act of March 20, 1933, all laws relating to veterans of the Spanish War and the World War were repealed and the President was given power to establish a new pension system. Four groups were entitled to pensions, (a) veterans with service-connected disability, (b) non-service connected disabilities of all wars since the Civil War, where disabilities are permanent, (c) widows and children of men who died as the result of service-connected injuries, (d) widows and

children of persons who served in any war since the Civil War, except the World War. All veterans' pensions were cut by the President, including those of Civil War veterans, which were cut 10 per cent. On the fiscal year ending June 30, 1934, there were 579,659 veterans and 258,533 dependents of veterans drawing pensions. The total amount paid out by the Veterans' Administration for pensions was \$321,394,530.65.

Civil Service Retirement

Under the Civil Service Retirement Act of May 22, 1920, which has been amended and broadened by several subsequent acts, employees of the Government with a civil service status come under the Civil Service old age and disability retirement system. The Government deducts 3½ per cent of the salary of each employee. The retirement pay ranges from a maximum of 75 per cent of the basic salary of an employee who has served the Government for 30 years, down to smaller annuities, depending upon length of service. The maximum pension, however, is limited to \$1,200. On June 30, 1934, there were 44,708 retired Government civil employees drawing retirement pensions. The total paid out for civil service retirement pensions for the fiscal year ending June 30, 1934, was \$44,232,735.96.

Voluntary Pension Plans in Private Industry Today

Most persons are familiar with the fact that Federal, State, and municipal employees are generally under pension plans and that the same thing is true of most railway employees. However, many persons do not know the extent to which pension plans have been adopted by American business enterprises. Mr. Murray W. Latimer, in his outstanding book, *Industrial Pension Systems*, recorded up to May, 1932, exclusive of governmental and railway pension plans, no less than 434 formal American pension plans in organizations employing over 2,000,000 persons. Since that time both the number of plans and persons covered has been increased. The following is a conservative statement of the situation at the present time.

(a) At least 300 plans of industrial and financial institutions and public utilities, other than railways, have reserves irrevocably set aside with life-insurance companies or other trustees.

(b) These reserves aggregate at least \$700,000,000 and are rapidly being increased.

(c) Over 1,000,000 persons are employed by these organizations, and those who remain to pension age will participate in the benefits of the plans.

(d) Approximately 300,000 of these employees now are contributing toward the cost of their eventual benefits.

These pension plans were established voluntarily and primarily as an efficiency measure.—*Extracts, vol. 12, p. 96.*

A Survey of the Foreign Systems for Care of Aged Citizens

In 39 countries (exclusive of the Soviet Union) one or more systems of pensions or insurance for old age have been established. These countries are enumerated below:

Argentina.	Germany.	Newfoundland.
Australia.	Great Britain.	New Zealand.
Austria.	Greece.	Norway.
Belgium.	Greenland.	Paraguay.
Bolivia.	Guernsey, Isle of.	Poland.
Brazil.	Hungary.	Portugal.
Bulgaria.	Iceland.	Rumania.
Canada.	Irish Free-State.	South Africa.
Chile.	Italy.	Union of.
Cuba.	Japan.	Spain.
Czechoslovakia.	Lithuania.	Sweden.
Denmark.	Memel territory.	Switzerland.
France.	Luxemburg.	Uruguay.
	Netherlands.	Yugoslavia.

The following 16 countries have no system of old-age pensions or insurance: Colombia, Costa Rica, Dominican Republic, Ecuador, Estonia, Finland, Guatemala, Honduras, Latvia, Lithuania (except in Memel territory), Mexico, Nicaragua, Panama, Peru, Salvador, and Venezuela. In Panama, however, there are retirement systems for certain classes of Government employees. In Latvia a commission has been appointed to draw up a general old-age insurance law, and 50 per cent of the contribution of the State to the sickness insurance system is being set aside to form an old-age insurance reserve. It should also be noted that although there is no system of old-age pensions or insurance in Colombia or Peru, in both of these countries certain classes of workers are required to take out life insurance for the protection of their families.

Types of Plans

The systems of old-age care are of three main types as regards contribution and benefit:

(1) Voluntary insurance: In essence this is merely a system under which the Government sells annuities under more favorable rates than the private insurance companies.

(2) Compulsory insurance: Under this system contributions to a general insurance fund are made by two or all of the three parties concerned—the State, the employers, and the employees. Usually, all three parties contribute, as in Great Britain, Germany, and in France. This fund is managed by public authority and out of it determined benefits are paid to each employee under the system when he attains a certain age.

(3) Public pensions: Here the cost of the system is borne wholly by the public, and pensions are paid to citizens reaching a certain age, without other means of support, and without regard to whether they are or have been employed workers.

Of these three types of systems, the first—voluntary insurance—needs least comment. It has been introduced in only six countries (Canada, France, Italy, Japan, Netherlands, and Switzerland), and it has not succeeded, as a rule, in obtaining any large coverage.

As already indicated, the method of approach to the problem of old-age dependency is very different under compulsory insurance and under the public pension. The following points of difference may be emphasized as of particular importance: Under a public pension system aid is given only in case of actual dependency, and then only in accordance with the need of the individual as established to the satisfaction of the administrative agency. The theory under the compulsory insurance system is quite different. Under such a system the aim is to accumulate, for all working citizens, against their retirement from industry, an insurance fund which will support them in their old age. The old-age benefits thus received by a retired worker are therefore not dependent upon the degree of dependency or upon proof of need. On the other hand, this system provides only for persons who are or have been workers; it does not cover dependent persons who, for various reasons, may have reached old age without ever having had employment within the meaning of the law.

The compulsory-insurance principle has at present the greatest acceptance. In general, the public pension system is favored by the British dominions and the Scandinavian countries and dependencies (except Sweden). The compulsory-insurance system is now in force in the principal industrial countries of Europe, such as France, Germany, Great Britain, and Italy; of these, France and Great Britain also have a pension system.

Coverage of Systems

Not all of the systems adopted are complete in their coverage. Thus, in Switzerland only certain Cantons have adopted such systems, and in Brazil such legislation applies only to employees of public utilities. Also it is to be noted that, in a few instances, systems of different character and coverage are in effect in the same country.

In the great majority of countries, however (including the principal industrial countries of Europe, such as England, Germany, and France), the systems in effect cover either the whole population or the whole working population, subject to certain requirements of income, residence, etc.

Public old-age insurance or pensions are intended for and applied to the economically lowest groups of the population, principally wage earners and low-salaried employees, but may include independent workers, including small employers (employing up to five or six workers). In order to determine these insurable or pensionable groups, the laws set certain economic limits on the basis of earnings, income, or value of property owned. These economic limits vary from country to country even more widely than the age limits.

However, a number of countries, having introduced a public compulsory-insurance system for the low-income groups of the population, have established a secondary,

higher-income limit for voluntary insurance; that is, persons whose earnings or incomes are above the limit for compulsory insurance and below the secondary, higher limit may come under the compulsory-insurance act if they so desire. Experience shows that these classes do, to some extent, take advantage of such a provision.

Age Limit

There is no generally accepted age limit at which old-age pensions or benefits shall become payable. Not only does the age limit vary from country to country, but often within the same country different age limits are set for the sexes and for different occupational groups; in some insurance systems the age of retirement is dependent on years of service and amount of contributions made.

In general, it may be said that the age limits in European countries vary from 50 to 70 years, the prevailing limits being from 60 to 65 years. In the non-European countries the age limits, on the whole, appear to be somewhat lower than in Europe.

The age limit for women is in many cases fixed five years lower than for men.

For more hazardous occupations, such as transport and mining, often a lower age limit is set than for other less hazardous occupations.

In general, the lowest age limits occur under voluntary-insurance systems and the highest under straight pension systems, while the compulsory-insurance systems occupy a middle position in this respect.

The recent legislative tendency in regard to the age limit seems to be toward flexibility, a certain amount of discretion being left to the administrative authorities to fix age standards within the upper and lower limits set by the law.

Contributions and Benefits

In case of compulsory insurance the contributions are made either as a certain percentage of wages or salaries or as a definite sum of money to be contributed either weekly or monthly. Public contributions to insurance funds are either proportioned to the contribution shares of the insured and their employers, or are in the form of grants representing definite sums of money either per insured or per beneficiary, or lump sums transferred periodically to the insurance fund.

Some foreign countries have resorted to special taxation and other special means of raising money for the benefit of the insurance or pension funds. The European countries, however, seem to avoid special taxation for public-insurance funds.

Old-age benefits or pensions are usually established at a point which will provide merely the bare necessities of life or a minimum of comfortable subsistence. As this minimum varies from country to country, from time to time, and even as between economic groups in the same country, the amount of benefit or pensions paid in different countries and for different groups of persons in the same country varies greatly.

With a few exceptions, the benefits and pensions are considerably lower than the wages or salaries earned before old-age retirement. As a rule, in the case of insurance systems the amount of benefit is based upon the amount of contributions made in behalf of the insured, while the amount of contribution is based upon a certain percentage of wages or salary, or of income in the case of independent workers.

In order closely to relate earning ability with contributions, varying numbers of graded wage or income classes are often set up. As, however, minute classification complicates administrative work, there is a tendency either to decrease the wage classes to a smaller number or to do away with them entirely, leaving only the upper insurable or pensionable income limits.

In a number of European countries the ordinary or regular benefits or pensions are rather small, especially in view of the increasing cost of living and depreciation of money value, in post-war years. Various increases and additional benefits have therefore been introduced, usually termed "bonuses," "allowances," "supplementary benefits," "special grants," etc.

Survivors' Benefits

Most of the old-age insurance or pension systems make provision for dependent survivors, such as widow or widower, orphans, parents, etc.

Usually the amount of the widow's benefit is one-half of the benefit of her deceased husband.

Almost all insurance systems provide that the total benefit for survivors may not exceed the benefit of the deceased.—*Extracts, see 1, p. 96.*



Efforts Seeking Federal Action on Old-Age Pensions 1909-1935

1909—What appears from available records at the Capitol to be the first old-age pension legislation ever introduced in Congress was a House resolution introduced on April 9, 1909, by Representative Frederick Lundin, of Illinois, for the appointment by the Speaker of the House of a committee of seven of the House to investigate old-age pension systems in foreign countries and report on their applicability to the United States. This resolution, H. Res. 3057 (Sixty-first Congress, first session), was referred to the Committee on Rules, but the Committee took no action.

Charles Edward Russell, eminent author and Socialist, who is an outstanding authority on sociological subjects, states that the first impetus to the consideration of old-age pension legislation in the United States came from the recommendation of David Lloyd George for remedial legislation contained in his presentation of the 1907 budget to the British Parliament. In this report Lloyd George recommended unemployment insurance and old-age pensions. These recommendations resulted in the British unemployment insurance act of 1911, but the old-age pension act did not follow until 1928.

Early in 1909, Mr. Russell began writing articles on old-age pensions which appeared in American magazines.

1910—On January 10, Representative Harry M. Condray, of Missouri, introduced a bill (H. R. 17505, Sixty-first Congress, second session) providing for Federal old-age pensions of \$150 a year.

On June 23, Representative Lundin made a long speech in the House urging the enactment of old-age pension legislation, and presenting memorials in support of it from the Illinois legislature and from various organizations.

1911—Representative Victor Berger, of Wisconsin, the first Socialist ever elected to Congress, introduced bills providing for old-age pensions and for the appointment of a commission to study the subject.

1912—Failing to obtain consideration of his previous bills, Representative Berger introduced a bill calling on the Commissions of Labor for information on the question of old-age pensions.

1913—Representative Sabath, of Illinois, Kelly, of Pennsylvania, and Lafferty, of Washington, introduced old-age pension bills.

1914—Representatives Sabath, Doolittle and Reilly introduced old-age pension bills.

1915—Representative Focht, of Pennsylvania, began a long fight for old-age pension legislation, both in Congress and in Pennsylvania. He introduced bills in the House for several years and spoke on the subject in Pennsylvania. Associated with him was the veteran Representa-

tive Sherwood of Ohio, who, on leaving Congress in 1920, urged Focht to keep up the fight.

1916—The first old-age pension bill introduced in the Senate was introduced in this year by Senator Lane, of Oregon.

1917-1928—Old-age pension bills continued to be introduced in both the Senate and the House, but nothing came of any of them.

1932—An old-age pension bill (S. 3037, Seventy-second Congress, 1st session) was introduced by Senator C. C. Dill of Washington. The Senate Committee on Pensions held hearings on this bill on March 26, 1932, and reported it favorably but the Senate took no action.

1933-34—A number of bills for old-age pension were introduced in the Senate and House. Of these, two were reported. The House Committee on Labor, on March 17, 1934, reported H. R. 8641, introduced by Representative Connery, of Massachusetts, providing for an annual Federal subsidy of \$10,000,000 to the states for old-age pensions. The Senate Committee on Pensions on April 17, 1934, reported S. 493, by Senator Dill, a similar bill. Neither was acted upon.

At this period it was known that the President was preparing a comprehensive program for social security legislation, and the general feeling among Administration supporters in the Senate and House was that Congress should await the President's recommendations.

On June 8 the President sent a message announcing that during the session beginning in January, 1935, he would make recommendations to Congress for social security legislation. Within a few days he appointed the President's Committee on Economic Security, headed by the Secretaries of the Treasury, Interior and Labor and the Relief Administrator, to work out a social relief plan.

1935—On January 17 the President sent to Congress a message recommending the passage of social security along the lines recommended by the Committee on Economic Security, whose report accompanied the message (see page 77). Senator Robert F. Wagner of New York and Representative David J. Lewis of Maryland introduced duplicate bills in the Senate and House to put into effect the Administration program, which were referred, respectively, to the Senate Committee on Finance and the House Committee on Ways and Means. Representative Robert L. Doughton of North Carolina, chairman of the Ways and Means Committee, also introduced a bill practically identical with the Wagner-Lewis bill.

In order to save time both committees held hearings simultaneously, and after they were concluded, went to work preparing the bills for report to the House and Senate.

Unless Congress within the next two weeks passes the President's social security bill the possibility exists that at least 20 Legislatures will adjourn without adopting statutes under which their States can cooperate with the Federal Government.

In many cases, State Legislatures will not meet again for two years.

Details of the Administration's Old-Age Pension Program

by the President's Committee on Economic Security

NOTE: The following report of the Committee on Economic Security embodies the Roosevelt program, and is followed out to the letter in the Wagner-Lewis bill. The text of this bill is omitted because it is in the process of being redrafted by the House and Senate Committees.

THREE separate but complementary measures for old-age security are recommended:

1. A Federal subsidy to the States toward meeting the cost of noncontributory old-age pensions under old-age assistance laws complying with the standards prescribed in the Federal statute.

2. A Federal system of old-age insurance which will be compulsory for all industrial workers who can be brought under its terms.

3. A Federal system of voluntary old-age annuities for persons not covered compulsorily.

Noncontributory Old-Age Pensions

There are now 29 States with old-age assistance laws, providing varying standards of aid to aged persons granted upon differing conditions. Many of these laws are nonfunctioning; many of the others, through financial pressure, have cut benefits below a proper minimum, and have long waiting lists of needy persons; moreover, the financial limitations of many of the States and the indifference of others, indicate that State action alone cannot be relief upon which to provide either adequate or universal old-age assistance.

It is recommended:

1. That the Federal Government enter this situation by offering grants-in-aid to the States and territories which provide old-age assistance for their needy aged under plans that are approved by the Federal authority, such plans to include proposed administrative arrangements, estimated administrative costs, and the method of selecting personnel.

2. That the grants-in-aid constitute one-half of the expenditures, including administrative expenses, for non-institutional old-age assistance made by any State or Territory under a plan approved by this Federal authority, provided that in computing the amount of said grants-in-aid, not more than \$15 per month shall be paid in Federal subsidy on account of assistance provided for any aged persons in such State or Territory, nor more than 5 percent of the total assistance expenditures for administration.

3. A State or Territory should be permitted to impose qualifications upon the granting of assistance to needy aged persons, but it should be stipulated in the Congressional statute providing for the grants-in-aid that no plan shall be approved by the Federal administrative agency unless its old-age assistance laws and its administration measure up to the following standards:

(a) Is State-wide or Territory-wide, and if administered by subdivision, of the State or Territory, is mandatory upon such subdivisions.

(b) Establishes or designates a State welfare authority which shall be responsible to the Federal Government for the administration of the plan in the State; and which shall administer the plan locally through local welfare authorities.

(c) Grants to any claimant the right of appeal to such State authority.

(d) Provides that such State authority shall make full and complete reports to the Federal administrative agency in accordance with rules and regulations to be prescribed by the Federal administrative agency.

(e) Provides a minimum assistance grant which will provide a reasonable subsistence compatible with decency and health, provided that in the event that the claimant possesses income this minimum grant may be reduced by the amount of such income.

(f) Provides that an old person is entitled to aid if he satisfies the following conditions:

(1) Is a United States citizen.

(2) Has resided in the State or Territory for 5 years or more, within the 10 years immediately preceding application for assistance.

(3) Is not an inmate of an institution.

(4) Has an income inadequate to provide a reasonable subsistence compatible with decency and health.

(5) Possesses no real or personal property, or possesses real or personal property of a market value of not more than \$5,000.

(6) Is 70 years of age or older; provided that after January 1, 1940, assistance shall not be denied to an otherwise qualified person after he is 65 years of age or older.

(g) Provides that at least so much of the sum paid as assistance to any aged recipient as represents the share of the United States Government in such assistance, shall be a lien on the estate of the aged recipient, which, upon his death, shall be enforced by the State or Territory, and the amount collected reported to the Federal administrative agency.

4. The cost of the Federal subsidy to the Federal-State noncontributory old-age pensions will require annual appropriations from the Treasury. If, however, a Federal compulsory contributory old-age annuity scheme is adopted, and the fiscal position of the Government indicates financing old-age assistance grants by borrowing, the reserves of the compulsory contributory old-age insurance scheme might be utilized for this purpose. If such a borrowing policy is adopted, formal certificates of in-

debtedness carrying 3-percent interest should be issued by the Treasury to the Federal authority administering the compulsory contributory old-age annuity scheme.

Contributory Old-Age Insurance

A Federal old-age insurance system is recommended, to be instituted at the earliest date possible, on the following plan:

1. *Scope.*—The act shall include on a compulsory basis all manual wage earners and those nonmanual wage earners who are employed at a rate of not more than \$100 per week, provided however that no wage in excess of \$50 per week shall be counted for insurance purposes. Wage earners in agriculture, governmental employment, and railroad service are not included on a compulsory basis.

2. *Tax on employers and employees.*—A tax shall be levied on employers and employees included within the scope of the compulsory provisions of the plant equal to the following percentages of pay roll: 1 percent in the first 5 years the system is in effect; 2 percent in the second 5 years; 3 percent in the third 5 years; 4 percent in the fourth 5 years; and 5 percent thereafter. Taxes shall be paid on both pay roll and wages on the assumption that the weekly wage of a single worker does not exceed \$50.

It is recommended that employers and employees each pay one-half of the above percentages, with the employer responsible for the payment of the employee's tax but entitled to deduct the same amount from the wages due the employee.

3. *Federal contributions.*—After a contingency reserve of reasonable proportions has been accumulated (approximating one-fifth of the full reserve), the Federal Government shall contribute annually an amount sufficient to maintain such a reserve.

4. *Benefits.*—No annuities are to be paid until the system has been in operation for 5 years nor to any worker who has not made 200 weekly contributions. Thereafter the following benefits are to be paid on retirement at age 65 or later to workers (a) who entered insurance before attaining age 60, and (b) on whose account at least 200 joint weekly contributions have been paid, provided that contributions made after reaching the age of 65 years shall not affect the amount of the annuity.

(This plan of benefits applies only to persons entering the insurance system during the first 5 years of its operation, and is organized to cover the situation of workers who are middle-aged and over at the time that the system goes into operation. The permanent scheme of benefits not having to meet that situation will, while following the general plan outlined here, adjust the full annuity to the contributory period of a normal working life.)

It is proposed to provide a larger relative annuity for lower-paid workers by weighting more heavily the first \$15 of weekly wage. In the following description of benefits, however, the average percentage paid to all wage groups is used in indicating the annuities payable in each year.

(a) A pension equal to 15 percent of the average weekly contribution wage (not counting that portion of average weekly contribution wage in excess of \$35 weekly) to workers retiring in the sixth year the system is in operation. Pension percentages are to be increased by 1 percent each year in the next 5 years and by 2 per-

cent each year in the following 10 years, thus bringing percentage to a maximum of 40 percent of the joint contributions 20 years after the system comes into operation. In no case shall the pension be less than the amount purchasable by the worker's own contributions.

(b) A death benefit to beneficiaries of insured workers who die prior to retirement equal to worker's own contributions accumulated with interest at 3 percent.

(c) A death benefit to beneficiaries of insured workers who die after retirement equal to the accumulated value of the worker's own contributions at time of retirement, less the aggregate amount paid to the worker as a pension.

5. *Administration.*—While the collection of the funds and the control of the administration will be national, local agencies will be used so far as possible in the operation of the system. The guarantees recommended would be impossible in any but a straight national system, since they must be based on the actuarial experience of the population as a whole. It is contemplated that the old-age insurance reserve funds will be invested and managed by the treasury (or the Federal Reserve Board) on the same basis as the unemployment insurance funds. All other aspects of administration are to be vested in a Federal insurance authority. It is recognized that the administration of an insurance plan for such a number of persons is a large undertaking, and to prevent duplication and to reduce administrative costs, it is recommended that the same State and local agencies handling unemployment insurance be utilized for this purpose. Other State and local labor agencies will also have to cooperate in the administration.

Voluntary Old-Age Insurance

In addition to the compulsory old-age insurance plan, it is proposed that there be established, as a related but separate undertaking a voluntary system of Government old-age annuities, for restricted groups as indicated below. Under such a plan, the Government would sell to individuals, on a cost basis, deferred life annuities similar to those issued by commercial insurance companies; that is, in consideration of premiums paid at specified ages, the Government would guarantee the individual concerned a definite amount of income starting at, say, 65 and continuing throughout the lifetime of the annuitant.

The primary purpose of a plan of this character would be to offer persons not included within the compulsory insurance arrangement a systematic and safe method of providing for their old age. The plan could also be used, however, by insured persons as a means of supplementing the limited old-age income provided under the compulsory plan.

Without attempting to outline in detail the terms under which Government annuities should be sold, it is believed that a satisfactory and workable plan, based on the following principles, could be developed without great difficulty:

(1) The plan should be self-supporting, and premiums and benefits should be kept in actuarial balance by any necessary revision of the rates indicated by periodical examinations of the experience.

(2) The terms of the plan should be kept as simple as practicable in interest of the economic administration and to minimize misunderstanding on the part of individuals utilizing these arrangements. This could be accom-

plished by limiting the types of annuity offered to two or three of the most important standard forms.

(3) In recognition of the fact that the plan would be intended primarily for the same economic groups as those covered by compulsory annuities, the maximum annuity payable to any individual under these arrangements should be limited to \$100 per month. The plan should be extended to persons of the lowest-wage groups who are able to build up only small annuities, by providing for the acceptance of relatively small premiums (as little as \$1 per month).

(4) The plan should be managed by the insurance authority, along with the compulsory old-age-insurance system.

No estimates have been made as to the amount of annuity reserves that would be accumulated under a plan such as that proposed above. It is believed, however, that the fiscal problems presented by such reserves would not be serious.

Judging by experience abroad, relatively few persons will voluntarily take out such annuities unless the Government actively interests itself in promoting them.—*Extracts, see 2, p. 96.*

The Townsend Plan for "Old-Age Revolving Pensions"

THE Townsend Old-Age Insurance Plan, originated by Dr. F. E. Townsend, of Long Beach, California, calls for the payment by the Federal Government of a pension of \$200 a month to every citizen of the United States more than sixty years old provided

1. That they engage in no further labor, business or profession for gain.
2. That their past life is free from habitual criminality.
3. That they take oath to, and actually do spend, within the confines of the United States, the entire amount of their pension within thirty days after receiving same.

Creation by the National Government of a revolving fund by levying a 2 or 3 per cent national transactions-sales tax high enough to produce the amount necessary to keep the Old Age Revolving Pensions Fund adequate to pay the monthly pensions, the money raised by the sales tax to be used for the Old Age Revolving Pensions Fund only.

The Townsend Plan proposes to "reward every good citizen for a long life of service to his country by pensioning him, or her, at the age of sixty." It is proposed to make this pension adequate to "not only do the pensioner some good but the country as well."

It proposes, also, that a sum up to two billion dollars be appropriated by Congress to meet the first pension payments. Dr. Townsend and his supporters estimate that this would stimulate business to the extent that there would be no trouble in collecting the taxes for insuring payments.

A resolution, H. Res. 3977, to put into effect the provi-

sions of the Townsend Plan, was introduced in the House by Representative John S. McGowan, Democrat, of California.

Old-Age Provisions of the Huey Long "Share Our Wealth" Plan

PROVISION for old-age pensions is an integral part of the program of the "Share Our Wealth Society" organized by Senator Huey P. Long, of Louisiana. Under the Long plan every person, at the age of 60, would begin to draw a pension from the Federal Government of \$30 per month, unless he has an income of over \$1,000 a year or is worth \$10,000.

The cost of these old-age pensions, along with other benefits under the "Share Our Wealth" program, would be paid out of funds derived from an income tax system which would prohibit any one a net income of over \$1,000,000 a year; would provide that no person should inherit more than \$5,000,000 in a lifetime nor own more than \$50,000,000 worth of property. All above these figures would be turned into the Treasury.

The Lundeen Social Insurance Plan

THE most sweeping bill for social insurance pending in Congress is H. R. 2827, introduced by Representative Ernest Lundeen, Farmer-Labor, of Minnesota.

The Lundeen bill directs the Secretary of Labor to set up Insurance Commissions composed of rank and file members of laborers' and farmers' organizations through which would be administered a system of insurance for unemployment, part time work, or inability to work because of old age, sickness, accident or maternity. It covers all professions and occupations, including agriculture, and provides that the amount of insurance shall be equal to average local wages and, in any case, shall not be less than \$10 per week, plus \$3 a week for each dependent. The cost is to be defrayed by a Federal tax on inheritances and gifts and by taxes on individual and corporation incomes of over \$5,000 a year.

The Lundeen bill is being considered by the House Committee on Education and Labor, which held hearings from February 4-9.



Is the Administration's Program for Old-Age Pensions Sound?

P R O

Affirmative

★ *Senator Wagner, sponsor of the Administration's bill in the Senate, explains its provisions and the urgent need for such legislation.*

by

Hon. Robert F. Wagner

U. S. Senator, N. Y.,

Democrat

THE narrow margin of security to which so many of our people cling in their prime is inevitably the prelude to complete economic disinheritance in their later life. No one can understand the tragedy of old-age dependency without probing the statistics of our national income. A study completed only a few months ago by the Brookings Institute paints the first full-length picture of family earnings in the United States. It shows that in 1929, 6,000,000 families, comprising 21 per cent of our national total, averaged less than \$1,000 per year; that 16,000,000 families, comprising 59 per cent of our national total, averaged less than the \$2,000 per year which was the minimum necessary to supply the most basic needs of life; that 20,000,000 families, comprising 71 per cent of our national total, averaged less than \$2,500 per year. At the same time, 36,000 families at the top of the economic ladder received as much as 11,653,000 families at the bottom.

In view of these truly startling figures, it is not surprising that the overwhelming majority of men and women cannot prepare for a rainy day. In 1929, the 6,000,000 families that were in abysmal poverty were able to have nothing; 42 per cent of all American families, who were earning less than \$1,500 a year, could save only 1 per cent of their incomes; and 59 per cent of our families, who were earning less than \$2,000, could save only 1.4 per cent of their incomes. In contrast, a family earning \$5,000 saved 17 per cent of its income, while a family earning between \$50,000 and \$100,000 saved 44 per cent.

This maldistribution of the capacity for self-protection is summed up in aggregate by figures showing that in 1 year 80 per cent of the families in the United States made only 2 per cent of the savings, while the other 20 per cent of the families made 98 per cent of the savings.

These citations throw into bold relief the reasons why fully half of the 7,000,000 Americans who are now over 65 years of age have been reduced to a state of bitter dependency. To help them is a grave social responsibility, because they have been drained dry of their productive energies, and then swept aside like deadwood by a heartless system which has not allowed them to help themselves. To help them is also an urgent national necessity, because it will invigorate the whole economic system by releasing younger relatives from excessive burdens and by spreading purchasing power to an enormous extent.

It is impossible to calculate the precise sums required for this task. Opinions will vary greatly as to what con-

stitute fair standards of health and decency. But if we accept \$40 per month per person as an immediate minimum goal, our 3,500,000 dependent old people need assistance to the extent of \$1,680,000,000 per year. And this need will mount with alarming rapidity. It has been estimated that, due to advance in standards of health,

the ratio of old people to the total population will be 10 per cent 40 years from now, contrasted with 5.4 per cent in 1930 and only 3 per cent in 1870. In addition, the forces of modern technology are driving those beyond middle age from the protective shelter of employment into the no man's land of enforced idleness. In a brief quarter of a century, 13,000,000 people will be trapped in this desolate area; and, of these, half will probably be dependent and need assistance to the extent of over \$3,000,000 per year.

How do our present agencies for old-age assistance measure up to the task before us? The Federal Emergency Relief Administration, the lamentably weak pension laws of 28 States, and union and public retirement pensions are expending \$250,000,000 per year. This is less than one-sixth of what is desirable today; it is one-twelfth of what should be available 25 years from now. The economic security bill proposes to fill in this gap as rapidly as feasible by spreading a blanket of old-age pensions over the entire country.

The keystone of this project is a national system of compulsory contributory old-age insurance. To initiate such a system, a tax is imposed upon all payrolls, commencing with 1 per cent as of January 1, 1937, and increasing by 1 per cent every 5 years until it reaches its maximum of 5 per cent as of January 1, 1957. While the entire tax is collected from the employer, half of it is deducted from the wages of his employees, thus making their total contributions equal to his own. Only non-manual employees earning over \$250 per month are excluded from the plan.

The old-age fund thus created will be used to pay insurance, beginning in 1942, to all employees over 65 years of age in whose behalf taxes have been paid for at least 200 weeks. Of course such insurance will be scaled on the basis of years of participation in the system and average monthly wage. Any employee entering the plan after it goes into full effect in 1957 will receive in benefits no more than the taxes contributed in his behalf, plus interest. Should he die before receiving this full amount, the balance will go to his legal dependents.

On the other hand, many of the middle-aged and older workers who enter the system before 1957 will receive

Pro continued on page 82

Is the Administration's Program for Old-Age Pensions Sound?

Negative

★ *Senator Hastings, a member of the Finance Committee considering the bill, points out the inadequacies and discriminations in the plan and prophesies that the taxpayer will revolt against it.*

GREAT grief is sure to grow out of the experiments proposed by this new Act.

It is important to consider the apparent discriminations in the economic security bill in order reasonably to anticipate the objections that will be made to it by the individual taxpayer when all of the facts are known to him.

It is contemplated that the tax levied for the benefit of the young persons will not be held in a reserve fund by the Federal Government in order to meet the Federal obligations to such persons, but that as much of said fund as may be necessary shall be used for the purpose of payments made to the older persons who have contributed but a small part of the amount which they are to receive under the act. It is also admitted that after a certain number of years it will be necessary for the Government to make huge contributions to this fund in order to make up the amount that would be in it if the reserve had been maintained instead of expended.

My own notion about this is that it is a complicated system, difficult to explain, and one in which neither the employer nor the employee will willingly contribute.

It will be observed by all thinking persons that this statute passed at this session may be modified by the next or some future session of the Congress and does not have the stability of an insurance annuity contract, executed by a responsible insurance company. Nobody will deny the importance of every person purchasing over the years of his or her young life an annuity that will take care of them in their old age. But an annuity forced upon the people by a Federal Congress is entirely different. First, because it is forced, and, second, because there is no guarantee that it will continue long enough for the contributor to get any substantial return.

There is another phase of this which must not be overlooked. This act imposes a tax upon every wage earner, except those receiving more than \$250 per month. This group undoubtedly constitutes a large majority of the voters of this country. The Committee's expert estimates it will affect 40,000,000 wage earners. It will reach millions of people who do not pay a tax of any kind and who have never paid a tax of any kind. It will reach the families described by Senator Wagner. He states that there were in 1929 6 million families earning less than \$1,000 a year, 16 million families earning less than \$2,000 and 20 million families earning less than

by

Hon. Daniel O. Hastings

U. S. Senator, Delaware,
Republican

\$2,500. The tax in the beginning, while very small, will impose upon these families a sum of approximately \$440,000,000 the first year (assuming they are earning that sum now) and when the tax is increased to the full amount mentioned in the bill, will impose upon them a tax of \$2,200,000,000. You cannot answer the complaints that will

come from these groups by saying that the tax is small. The fact that it is a tax and particularly the fact that it is a direct tax imposed by the Federal Government will be deeply resented, and no endeavor to bring home to these people that it is in the end for their benefit will avail.

The fact that the tax does not take effect until after the next general election is of some significance. I doubt whether any Democratic Convention in 1936 would dare write any such proposal in its platform. But whether it did or not, when the actual test is made this group of people will drive out of office all persons who refuse to vote to abolish such a tax. For these reasons alone this much of this old-age pension plan is impracticable. My own judgment is that we ought not to agree to any pension plan except in this emergency to match the amount contributed by the states. We ought to vigorously oppose imposing this tax upon the employee and we should likewise oppose the tax upon the employer.

I have not yet mentioned the very difficult problem of the individual who has in the past and is at present in some form or another contributing to some insurance company to take care of himself or herself in their old age. A very large percentage of the 60 million persons holding life insurance policies in one form or another will be affected by this tax. Neither have I mentioned the very serious problem of the several hundred corporations that have had some plan of old-age pensions affecting more than 5 million persons for many years and which corporations, together with their employees, would be compelled to pay a tax largely for the benefit of a class of persons who have not been so fortunately protected.

Neither have I discussed here the great problem of administering this law. It must be borne in mind that a record must be kept of the millions of people that would be taxed under this plan. Every housewife and every farmer employing a single individual would be compelled to make a return and it would take an army of people to check up on such individuals. In addition to the amount of money earned by such individuals, it would be necessary to keep a time sheet because the amount of money payable to every employee depends not only on what he earns but the time he takes to earn it.

A German economist by the name of Gustav Hartz calls attention to the fact that Germany was the first to

Can continued on page 83

Wagner, Cont'd

much more than the amount credited to their accounts. And those who enter before 1942 will obtain a specially high rate of benefits. This is necessary to guarantee security for those too old to build up adequate reserves on a basis of participation. Fairness would be outraged if we gave relief in form but not in substance to those whose only disqualification is that society has too long neglected them already.

Obviously the gratuitous portion of the aid offered to these millions of older workers must be paid from some source. It will be paid by the Federal Government, and nothing could be more inaccurate than to say that the Federal Government will not contribute to the national pension plan. However, if the Federal Government decided to spread its total ultimate contribution over a period of years beginning in 1937, it would have to make payments of \$500,000,000 per year beginning at that time. This would have the disadvantage of building up an inordinately large reserve of \$75,000,000,000, and it would tax the present generation for the old age of the next. Therefore, the bill defers Federal contributions until the time when the total outgo of the fund will exceed revenue from payroll taxes. That will be in 1965, and until then the Government will issue evidence of obligation to the fund. By 1980 Federal contributions will be \$1,400,000,000 per year, and the total annual income of the fund will be \$3,600,000,000.

While the bill does not require retirement at 65 years, no employee will be entitled to add to his prospective pension by contributions extending beyond that age. But he will be required to contribute nevertheless. As a practical result millions of men who are entitled to rest will yield places in industry to the young and the strong who are entitled to jobs.

The compulsory national system of old-age insurance will not provide for those who engage in business for themselves, or who will be over 60 years of age in 1937. To meet these needs, the bill authorizes grants to the States for old-age pensions, amounting to \$50,000,000 for the year beginning next June, and \$125,000,000 for each succeeding year.

While these Federal grants are to be made on an equal matching basis, and are not to exceed \$15 per month per person, there is no reason to suppose that this will limit old-age pensions to \$30 per month. There is nothing in the law which prevents a State from doing more for itself than the Federal Government does for it. In fact, the Federal administrator may refuse assistance to any State which does not go as far beyond the \$30 level as is necessary to provide health and decency pensions to all its needy citizens.

If the relief administrator finds that, in order to give at least a minimum living to aged persons, there will be required more than \$15 or more than \$30, he may refuse to make any Federal contribution unless the States raise their contributions enough to insure a decent standard, for which \$40 per month per person has been estimated as the minimum requirement.

That is a matter of administration. Of course, you cannot make a fixed rule for all of these things, and there ought to be some discretion lodged somewhere. Some

States will require a larger sum than others because of different economic conditions.

The bill also provides that the Government may borrow money to augment the old-age fund by selling annuity certificates to citizens of the United States who are under 65 years of age. No such annuity is to have a maturity value of over \$100 per month. This is the final tower of strength in a fortress against destitution in the winter years of life.—*Extracts, see 3, p. 96.*

by J. Douglas Brown

Professor of Economics, Princeton University

★ As a member of the President's Committee on Economic Security, Professor Brown sets forth the reasons for the committee's recommendations with supporting arguments.

I WOULD like to explain briefly the reasons why those of us on the staff of the Committee on Economic Security concerned in the formulation of the old-age security program arrived at certain important principles. I shall confine myself to the compulsory old-age insurance plan.

In the first place, the contributory contractual plan uses the method of thrift to protect workers in their old age rather than the needs-test relief which may in time discourage thrift.

Second, it affords a facility for saving for old age which, provided by the Government itself, avoids the dangers of bank failures, of losses on securities and real estate, or of other means of investment or of hoarding.

Third, it makes savings regular and automatic with a return as a matter of right with compound interest in regular installments covering the period of need.

That is the old-age period, from age 65 until the man dies.

Fourth, it avoids the prospect of dependence on children or other relatives (who may themselves be in need) or on public relief subject to a needs test.

Right through this plan we have attempted to provide a means of lifting people out of need in old age by the method of contributory insurance, which is in essence a facility in saving, in which the employer, the employee and the Government contribute to provide an annuity from age 65 until death. We have tried to provide as far as possible that means of protecting people in old age rather than having them go on relief subject to a needs test at 65.

We recommended that contributions be required of workers as well as employers, and I will give two or three reasons that lead us to that conclusion. In the first place, by contributing, the individual worker establishes an earned contractual right to his annuity through his own thrift.

Pro continued on page 84

CONGRESSIONAL
DIGEST

Hastings, Cont'd

adopt social insurance about 50 years ago.

At first the employer contributed ¾% and the employee 1¼%. Today a pay envelope of \$38.88 was reduced to \$29.45 by the time the taxes were deducted and the check handed to the employee.

Dr. Hartz says:

"It is social insurance therefore that makes needy people, in order to give them after they have become needy, very inadequate support."

My fear is that when the Federal Government undertakes the job of social security, through direct taxation for that purpose, it has taken a step that can hardly be retraced. I fear it may end the progress of a great country and bring its people to the level of the average European. It will furnish delicious food and add great strength to the political demagogue. It will assist in driving worthy and courageous men from public life. It will discourage and defeat the American trait of thrift. It will go a long way toward destroying American initiative and courage. No man can determine with any degree of accuracy its cost upon the present or future generation. There is danger of our sympathy for its humane objectives overcoming our mature judgment.

We ought to treat it as an emergency measure until the people of the country, as well as the members of the Congress, become acquainted with its absolute necessity or desirability, from the point of view of the Federal Government.—*Extracts, see 5, p. 96.*

by Hon. Thomas P. Gore

U. S. Senator, Oklahoma, Democrat

★ *Senator Gore, a member of the Committee on Finance, considering the bill, warns against Government paternalism, says the bill is unfair to the wage earner and would fail of its objective of increasing purchasing power.*

It seems to be the fashion today to ignore completely the lessons of experience and history. Every generation goes through this to some extent, but ours is an extreme example of indifference to the teachings of the past.

Experiment has its uses but it ought to supplement and not supersede experience. We got out of past depressions through hard work and low prices. Today the vast amount of private debts makes us unwilling to take this course: So the Government is taking over most of these debts. How the people are ever going to pay the taxes and earn a living is more than I can see.

There was a Chinese scholar named Wang-An-Shih who tried every single thing that we are doing away back in the eleventh century. He gave subsidies to the farmers, and inflated money. He fixed prices, bought up all the surplus grain and generally controlled the agriculture and business of the country, until the country groaned under the national debt and the army of bureaucrats that had

to be supported. Finally the people could stand it no longer and banished him, but the country had been so weakened morally and financially that the Tartar hordes found no resistance when they swept down from the North. This is a bit of history that we might all ponder to our advantage and it should warn us not to follow in this ancient prime minister's footsteps.

Less taxes would lighten our burdens. We are often reminded of the forgotten man. If I were called upon to identify the forgotten man, I should point out the taxpayer.

Like Jefferson, I am convinced that those people who are the least governed are the best governed. This does not mean that the degree of government may not change temporarily to suit conditions, but such changes do not affect the fundamental theory. In ancient Greece, Pericles inaugurated the feeding of the people out of the public treasury. A hundred years later Plato found that he had so completely debauched the Athenians that they were reduced to pauperism. Instead of working they hung around the market place gossiping and their characters were so weakened that the state was forced to hire barbarians to defend it from invasion, so said Plato.

Several hundred years later in Rome, the Gracchi began to sell corn at less than the market price. The farmers were ruined, but the populace cried for more favors. As time went on, free wine and entertainment followed and the politicians soon began their bidding against each other for the favor of their constituents. As is bound to happen in a democracy under such conditions, what one administration gave at a reduced rate was promised free by the politicians who wished to supersede it.

Historical examples are not without their significance for our country today. A paternalistic government is bound to destroy the self-reliance and self-respect of the people. When those attributes go, everything goes. Those are the virtues which have made our country great and those virtues alone will keep us great.

* * *

There appear to be two objects in this whole old-age pension program; one is to provide for the aged, to protect them against hunger and cold, and the other is to provide them with a purchasing power.

However much we sympathize with the old people who obtain this purchasing power under this pension, a part of it will be taken away from wage earners who would have used it for purchasing the necessities and comforts for themselves. Now, you have taken from their income the purchasing power which they would have used to purchase the manufacturers' goods, which they have earned and which they will need, and you have transferred it to somebody that did not earn it. That is not an addition to the purchasing power of the community; that is limited to the income now.

The assumption is that it is a function of the Government to take purchasing power away from the citizen who has earned it—and we will say earned it honestly—and transfer it to another citizen who has not earned it; that is the principle in this bill at least, so far as the purchasing-power end of it is concerned.

Con. continued on page 86

Brown, Cont'd

Second, worker contributions increase greatly the amount of the annuity which can be paid; would in fact double it.

Third, through increasing the amount of the annuities, worker contributions encourage the displacement of superannuated workers and of minor children and women supporting dependent old persons from the labor market, with a resulting increase in wages and earlier promotion.

By providing a uniform compulsory retirement method, persons over 65 would be taken out of the labor market. Likewise the employer would be encouraged to take on the man 45 or 50 or 55, and thus to bring additional men into employment in their later years.

Now you have the problem of the person seeking work aged 50 or 55, and the employer realizes that he will soon have the problem at 65 of laying that older man off unless the company has a pension plan. If it has not, it lays him off with no protection. However, if he has a pension plan, it will cost him a considerable amount to take that man on if he is to provide him with an adequate pension at 65. Under the universal pension scheme, the insurance scheme, that employee right throughout life would have been building up his pension so that if unemployed at the age of 50, the employer taking him on at that time, knows that he can lay him off at 65 with an earned pension that will be adequate to take care of him.

Then the reasons for employer contribution:

First of all, it provides an automatic method of meeting the depreciation charges on the human factor cooperating in production similar to the usual accounting charges for depreciation of plant and equipment.

Second, it makes uniform throughout industry a minimum cost of providing old-age security and protects the more liberal employer now providing pensions from the competition of the employer who otherwise fires the old person without a pension when superannuated.

It levels up the cost of old-age protection on both the progressive employer and the unprogressive employer. Likewise it spreads the cost of the old-age protection uniformly over the concerns that employ more younger workers. Under the present situation, if a concern is able to employ younger workers and lay them off by constant turn-over in their thirties and forties, in a sense they have no old-age problem. They have shifted it to someone else and to the community. Other concerns which continue their employees until 65 are bearing the cost, because both plant morale within the concern and community morale without will not permit those concerns to lay off those people without attention at 65, so this plan levels the cost between this first concern which has to contribute over against the second concern which has already contributed through its own private plan.

As to Government contributions:

First. To buttress the guaranty of security there must be the financial strength and the taxing power of Government. The final security of any social insurance plan is the guarantee of the Government.

Second. The payment of annuities larger than can be earned in the earlier years of the plan may well be considered a public benefit and has been so considered in

practically every important foreign plan. There are limits to the reasonable use of employment and earnings taxes when used for a purpose benefiting the public as a whole.

Third. By Government contributions in the late years of the plan, it is possible to avoid building up large reserves. Throughout our study, we have found that we must face several important variables in this plan. One was to what extent the reserve could be built up and still be kept within manageable limits. The second was the incidence of the tax on the employer, how to adjust that so as to allow business to proceed with the least shock possible. The third was to pay adequate compensation as soon as possible. This one variable of large reserves becomes a factor related to Government contributions. If contribution rates are raised sharply in the early years of the plan, huge reserves accumulate. The problem of investing and liquidating these reserves can be far greater economically than that of a Federal subsidy in later years. If contribution rates are raised sharply in later years, the worker then contributing may receive upon retirement scarcely more than a return of his own contributions, since the employer's contributions will have been used to pay back the amounts expended to supplement earlier annuities.

Fourth. The shifting of the incidence of the employment tax to the consumer, which may take place, may become in time a regressive tax that may well be supplemented by the use of funds drawn from a progressive income tax. The best time to draw upon other taxes would, however, be in the later years of the plan.

In this way the funds accumulating in the early years will be used to pay benefits in the early years; as time goes on and disbursements come closer to meeting the collections, the Federal subsidy could be brought in to make up for those early benefits paid to persons who had been able to contribute but a brief time.

I would like to explain the reasons why the staff group recommend the payment of the larger annuities than are earned in the early years of the plan.

First. To obtain the social and economic advantages of contractual annuities as soon as possible in order to secure the "lift" of self-sufficing and self-respecting old age in our time and not wait until kingdom come to obtain assured economic security for the aged.

Second. To avoid the ridiculously low annuities involved in paying earned annuities only in the early years, which for a time might not warrant the nuisance and collection cost of the tax.

Under the tabulations, a person contributing for 5 years only, with an average wage of \$100 a month, would receive 48 cents a month as an earned pension, because interest factors as well as the small contribution rate of 1 per cent do not provide an annuity any larger than that on a straight earned basis. Every other important industrial country has paid unearned benefit supplementing that, making it an amount large enough really to assist the person in his old age, and to secure the displacement of superannuated workers from the labor market as soon as possible. That is the third reason.

Pro Continued on page 86

What we all want to do is to stimulate the creation of purchasing power—something that will pull us out of this bog. The transfer of purchasing power from one citizen to another does not go far. It may help the individual who gets the purchasing power, but it hurts the one who parts with it. That is not creating purchasing power; that is transferring it. This distinction is fundamental.

Now speaking on the incidental advantage, our government, for months after the war, made loans to foreign governments, and for 6 years, from 1923 to 1929, our financial institutions loaned some six billions of dollars to those governments or peoples. That purchasing power was put into their hands, and with it they purchased goods from us, but that plan did not work out very well in the long run. Some of its effects helped to bring on and to aggravate the depression.

Now we will come back to the first proposition of taking this power, this purchasing power, from the manufacturers and the merchants and transferring it to the aged. The Government decides that John Doe, a manufacturer who created this wealth—this purchasing power in an honest way—is not as much entitled to it as Richard Roe, who has no purchasing power, and the Government of the United States, equally charged with the protection of both of them, takes it from John Doe and gives it to Richard Roe. I do not see how you can escape that conclusion. You may justify that on social considerations but that is what happens.

Senator Long of Louisiana is espousing a plan for the redistribution of wealth in this country. Now his contention is that the Government ought to take purchasing power, wealth, and income—I will use both terms—away from those who have it and transfer it to those who do not have it. Now how does that differ, in principle, from this plan? Income is wealth. The matter of replacement is not a matter to be ignored. The country's plants have to be replaced every few years.

The answer, as I understand it, is that under this plan you would not take too much of a person's income, and Senator Long would take too much of a person's income. Now what is the standard? Who is to decide how much is too much and how much is not too much?

Congress has found this bill on its doorsteps. What guarantee is there? Has the citizen got any constitutional guarantee? Has the citizen got any legal or moral guarantee under this plan that some man might not come into power who would take more than he ought to take from one and give to another?

I know the theory of private property used to be—I do not say it is now—that the man who earned the dollar honestly has a better right to it than anybody else. What I am trying to get at now is whether this legislation is not out of line with that once established principle. Has a citizen no guarantee, under our constitutional system, that that thing cannot be done?

As far as the State is concerned, there isn't any doubt but what it has the power and the duty to take care of its indigent people, but it is a new theory as far as the Federal Government is concerned.—*Extracts, see 11, p. 96.*

Dr. Henry E. Jackson

President, Social Engineering Institute, N. Y.

★ Dr. Jackson opposes several features of the administration's plan and offers a solution in a scientific annuity plan which he presented in detail before the Committee.

If we are to avoid what I regard as a serious blunder for America, we must keep clearly in mind one basic distinction, namely, that temporary relief is one thing, but that a plan of permanent social security against industrial hazards is another and different thing. The attempt to combine them in the same plan would be like the attempt to add together three quarts of milk and three-quarters of a mile. I fear we are in danger of attempting this impossible task just as England has done. A solution of the problem is possible without any public expense, I believe.

Disregarding the need for temporary relief, which need not worry us, if we know it is temporary and in normal times can be met by the States as hitherto, and confining our attention to a permanent plan designed to abolish the need for relief, there are three classes which obviously must be covered by such a plan. They are, wornout workers, seasonal workers, and displaced workers.

Wornout workers, whose unemployment is due to old age, should be protected by a scientific Annuity Plan, commonly called a Pension Plan as a natural equipment of any business enterprise, because it has no right to dump its wornout machinery on the community to be supported by private or public charity.

This Annuity Plan should have attached to it, a death benefit and a disability benefit, that is, Group Life Insurance and Disability Insurance, both of which may properly be classified under the caption of the unemployment hazard. When a worker is disqualified for work on account of his disability, he is unemployed for such a period. If a family loses its breadwinner by death, it suffers hardship because of his permanent unemployment. All workers, who suffer from the hazards of death, disability and old age, are accurately described as wornout workers and should be protected, as the natural obligation of the industry in whose service they have been wornout.

The cost of this program is a production expense and a proper charge against the depreciation of human machinery. Therefore, it should be paid by industry itself.

It is not only just that this expense should be paid by industry rather than by taxpayers as a charity to employers, but because this protection plan is a financial advantage to employers. The economic justification of a scientific annuity plan is that it enables an employer to eliminate superannuation from his plant honorably, when efficiency requires it. The economic justification of the whole program is that it is the effective way of creating and maintaining mass buying power, thus preventing depressions or mitigating their severity. Prevention is better than cure and cheaper. A few progressive employers

Can continued on page 87

Brown, Cont'd

And fourth, again, to hold down reserves, because if you take in money for all persons aged 20 to age 64, and in your first year of payment you only pay benefits to the one group aged 66, you will see that the income far exceeds the outgo. You accentuate that if the person aged 66 gets 48 cents a month, rather than \$15 a month by the payment of an unearned benefit adequate to take care of at least part of his needs. Your disbursements increase faster and avoid the accumulated huge reserve.

Next are the reasons for the maintenance of the lowest reserves compatible with safe operation of the system.

The first thing there is to avoid the undue diversion of funds from the flow of consumer purchasing power, on the one hand, to capital investment on the other. These funds are being taken from a level of income where normally they would be used practically 100 per cent in consumer purchasing power. A small amount would be saved but by and large you are taking these contributions from a level of income which would otherwise be used for consumer purchasing power. If you take those and pile them up in a reserve fund, they have to be used either directly or indirectly in building up capital goods, because they have to be put into something which will make them available at some future time. We feel that to divert an undue part of that consumer purchasing power into capital goods would be economically undesirable.

Second, the accumulation of a large reserve may involve serious complications not only in Federal financing through the necessity of selling and repurchasing Federal obligations in huge amounts at unpropitious times but may affect adversely the capital market. Also large reserves may encourage demand for increased rates of benefit and unwise use of funds for other purposes.

The history of police pensions and of firemen's pensions and of many other pension funds is that once huge reserve or relatively large reserves are accumulated, the rank and file of the members do not see any reason why the benefits should not be increased. It is very difficult to explain the actuarial principles involved. We were afraid that if large reserves accumulated under the Federal plan, the same problem would arise. Therefore, the recommendation to keep reserves as low as possible to make the plan a pay-as-you-go plan.

Finally, the accumulation of large reserves may necessitate the reduction of other Federal taxes in order to create new obligations and thus, for a time, relieve the rich through taxes on lower incomes. In other words, we have a payroll tax here which, increasing to a larger figure, might require the creation of Federal obligations to invest that fund. In creating those obligations, the Government by so much does not need to finance itself through other taxes but can finance itself through bonds, so we may have the paradox of a contribution from workers that might make possible the reduction of taxes on higher incomes.

Next is the gradual stepping up of contribution rates and the reason for that gradual stepping up of contribution rates. You will notice that it starts at 1 per cent for 5 years, 2 per cent for 5 years, and so. Many people feel that that is a very gradual step up. We felt, however, that there are reasons for a gradual step up.

First, the gradual raising of the rates of contribution softens the impact of the new charge on both the employer who has no pension plan at present and the worker and allows time for readjustments.

Second, to hold down the income into the fund until disbursements are sufficient to avoid the accumulation of large reserves.

Third, a lower initial rate of contribution aids in the enforcement of the tax, since coverage is secured and public support gained while the cost of the tax is small.

We felt that by starting with a 1-per cent or 2-per cent rate, the country could become accustomed to this rate of contribution. At the same time, the fund does not need the money because of the fact that we are retiring so few people on a contributory old-age insurance plan, therefore, we suggest starting with a smaller rate, and after 10 or 12 years when it gets to be a customary charge on industry, gradually adjusting it to the actuarial standards necessary.

Finally, very briefly, as to the enforcement of the tax: It is my feeling that the worker will look upon this plan as in essence a method of saving, with the employer matching his deposits. An interruption in his record reduces the annuity on retirement not merely by the amount of money unpaid but also by the reduction of the number of contribution weeks in his record. Every employed worker by so much has an interest in the enforcement of the tax and in reporting evasion on the part of the unscrupulous employer.

Second, the use of a stamp book, especially in the case of smaller plants, improves enforcement, since each employee can watch his savings accumulate and can note and report omissions.

Third, the employer who evades the tax is not only defrauding the worker of his old-age protection but might be subject to fines and reimbursement of the tax at penalty rates to the credit of the employee.

Fourth, the inclusion of domestic and farm labor while socially desirable will increase the problem of administering the plan at the outset.—*Extracts, see 3, p. 96.*

by Hon. Benjamin K. Focht

U. S. Representative, Pennsylvania, Republican

★ Representative Focht, one of the original sponsors of old-age pension legislation in Congress and in Pennsylvania, advocates Government responsibility.

Our land is dotted with almshouses, poorhouses, and jails in which men and women no longer able to earn a living for themselves pass a miserable existence, awaiting the day that will bring them surcease from want and suffering. There will always be, of course, many who by native indolence or vicious habits will qual-

Pro continued on page 88

Jackson, Cont'd

have discovered that such a protection program pays financially, and all intelligent employers will eventually make the same discovery.

The cost of this program ought to be shared by the employer and employee on a 50-50 basis as nearly as may be. It is, of course, obvious that this operating cost, like all other operating costs, such as the employee's wage and the president's salary, have to be paid out of the business itself. But there are basic reasons of morality and efficiency why it is better to divide this cost between employer and employee. There are also several by-products of this policy, not the least of which is that it will stimulate the adoption, as a standard practice in American industry, not of a living wage, but of a cultural wage, with margin enough to enable John Doe to do something for himself and conserve his self-respect. If his wage does not now have such a margin, it will be necessary to increase it.

If thus organized on a cooperative basis, the cost of the plan to employers will not be at all burdensome, a factor, highly significant to consider in any proposed legislation, because we must consider not only what is ideally desirable, but what is humanly possible.

A clear idea of the approximate cost may be indicated by quoting the cost, based on actual experience and estimates, in a large typical company, which operated its own plan on the trustee basis. In this company the full reserve to cover its matured pension liability, that is, for those on the pension roll and those put on the pension roll when the plan started, was 1% of payroll. This, of course, was paid only once. The annual cost thereafter for all active employees after one year of service, and covering both past and current service, was 1.22% of payroll. The annual cost of the death protection on the same basis is .25% of payroll, and the cost of disability protection .37% of payroll. This company had accumulated a large number of old employees. In two other companies where the same plan has been operated, the cost is less. But even if the cost should be 2% or 2.5% or 3%, it would be very low.

The probable cost for average industries is here stated merely as an illustration to ease the mind of employers. The assumed cost of this program ought never to be included as a provision in any legislative act, for the simple reason that the cost will vary greatly in various industries, and it is impossible to know beforehand what the cost will be in any case. Instead of any flat blanket cost imposed on all industries, what a legislative act should contain is a minimum schedule of benefits, which all industries are required to provide, letting each industry furnish these benefits by any sound reserve method it desired to use. It might operate the plan itself on the trustee basis, or engage an Insurance Company to underwrite it.

On account of the present depression it would be conspicuously wise legislation to require all industries to adopt the above social security plan now, and on account of the present depression, it would be an equally wise provision to require industries to set up the necessary reserves not now, but progressively as and when business conditions improve. A good formula to determine when reserves shall be set up, and in what amount, would be that proportionate deposits in the reserve shall be made

whenever dividends are paid to stockholders.

It seems clear that compulsory legislation is needed to put into operation this social security plan, because industry is either unable or unwilling to adopt it voluntarily. If we are to insure a fair basis of competition among industries, and also avoid enormous waste, confusion and conflict, it seems to me essential that we should have one Federal law and not forty-eight separate State laws. The advantage of one law over forty-eight laws is too obvious to need stating. In spite of our ancient political machinery, which seems to be the only obstacle in the way, I think there are several ways of securing unified and efficient Federal action without breaking the machinery.

For example. Congress has the undisputed right to impose a tax on the incomes of corporations. It could impose such a tax merely for compulsory purposes, stipulating that the tax would be cancelled in the case of those employers, who before the expiration of a specified time, shall have adopted a social security plan, yielding the standard schedule of benefits stated in the Act.

by Noel Sargent

Executive-Secretary, National Association
of Manufacturers

★ Mr. Sargent argues that the Economic Security bill would effect vital changes in the nation's entire economic system and warns of the heavy taxation that would follow its passage.

ADOPTION of the proposed Economic Security bill would add 5,830,000 recipients of Federal funds to the 7,920,000 persons already receiving such funds regularly, making a total of 13,750,000 recipients of Federal cash benefits, while there would be "an additional 23,920,000 who would look to the Government for future aid under the Security bill.

The proposed soldiers' bonus would add 3,550,000 beneficiaries to the Federal fund, a grand total of 17,300,000, actually, and 23,920,000 "in line" for future benefits.

This is a total of 41,220,000 persons who, either under existing or proposed laws, would look to the Federal Government for some measure of support—a number greater than all who voted for President in 1932. Some duplications entered into the figures as tabulated are offset by failure to include recipients of benefit payments from the AAA.

It would appear that the Economic Security Committee has in its own judgment rejected the advice of its own actuaries, and the Senate Finance Committee should call before it for examination all of the actuaries and actuarial advisers who collaborated with the Economic Security Committee."

In breaking down the figures relating to persons now receiving Federal funds, and those proposed under the Economic Security act, we find:

Regular employees, 950,000 (including War-Navy 400,-

Con continued on page 89

Focht, *Cont'd*

ify themselves for becoming inmates of the poorhouse, but I am happy in the belief that these constitute a comparatively small percentage of the men and women who by stress of circumstances beyond their control have to find refuge there. The man or the woman who has during a lifetime labored honestly should not be compelled in old age or when incapacitated by illness or disease to face the fate of a pauper.

There is probably no one cause more strongly accentuating the frequent antagonisms between capital and labor than the constantly recurring want of the wage earners in their old age. Under the most favorable conditions the average wage earner is unable to lay aside any considerable amount against the day when his strength to labor leaves him and his earnings cease. It is my opinion that the disturbing elements between employer and employee may largely be traced to this one fact. Happy, therefore, will be the day when that fear need no longer be constantly in the mind of the wage earners of our country; when they can look forward with assurance to the time in their lives when, though their strength fail them or illness disable them, they will be given the means with which to make their declining days measurably comfortable. Moreover, such action on the part of the Government would unquestionably arouse in the mind of every worker a sentiment of gratitude which would find expression in a deeper patriotism. No tenable objection can be urged against a policy which in every way makes for betterment, but everything speaks in its favor.

The outcry of State socialism which may be raised against the proposed legislation need deter no one. As a matter of fact, there is, I venture to say, no government of any civilized country, ours included, that has not to a greater or less extent embarked upon the policy of State socialism. In the United States, it is true, it is still in its infancy; and yet we have done some things that are in their essentials of the nature of State socialism. I will only cite the rural-credit banking law; the Government employees' compensation law, and similar enactments which indicate a realization, on the part of the Government, of its obligations to contribute from the resources of the Government to the improvement of the social and economic conditions of certain classes of the population.

In the industrial establishments of the present day, where men must work often ceaselessly and at capacity to supply the demands of modern society, the swift-moving, power-driven machinery permits very few to play any part after the age of 60. The requirements of keen eyesight, skilled hand, and steady nerve are imperative. Furthermore, the constant strain from working with delicate, swift machinery tends to enfeeble these necessary faculties prematurely. To aggravate the situation, the cheaper production by machinery makes it impossible for the discharged elderly men to compete in any line of work.

The consequence is that with the progress of civilization the number of unemployed beyond a certain age is constantly increasing. This is shown by census statistics. In 1890 the unemployed above 55 years of age were 15 per cent; in 1900 they were 19 per cent. Of men over 65 the unemployed were 25 per cent in 1890 and 32 per cent in 1900. By analogy, at the present time the percentage of the unemployed among those over 65 years of age

would be not less than 47 per cent under normal conditions. In other words, full half of workmen over 65 years of age are "scrapped."

The investigations of the different State commissions warrant the conclusion that 1 in every 5 persons past the age of 65 is classed as a pauper, and that 1 in every 3 is dependent either on public or private charity or on relatives or friends. Two out of every five passing their fiftieth years have no property or income other than their daily earnings. By the age of 60 their earning power disappears, and they must, if without relatives or near friends to aid them, fall back upon public charity.—*Extracts, see 9, p. 96.*

by I. M. Rubinow

Secretary, Independent Order of B'nai B'rith

★ *Mr. Rubinow, one of the outstanding American authorities on old-age pensions, sets forth the basic reasons for the demand for Federal aid for old-age insurance.*

WE would admit the desirability of the aged retaining their health and working capacity and working opportunity until the end of their days, but that opens a complex of problems of industrial organization that cannot be easily answered, for instance, as to whether private competitive industry can be so adjusted as to provide an increasing opportunity for workers who have passed the crest of productivity and endurance. We might all envy the fortunate minority that can live on income from accumulated capital but how to increase the number of those who can accumulate enough for such a happy old age is a problem perhaps even more complex than all the problems presented by social insurance. One couldn't very well look towards an extension of war pensions as a method of solving the problem of old age without placing one's hope in a continuous series of destructive wars.

Old folks' homes present a traditional and perhaps popular escape for some but are altogether unacceptable for sound psychologic reasons to many. Institutional care will always be needed for some proportion of the aged. This may be easily admitted in the case of those who are incapacitated either physically or mentally but may be optional with the healthy old men and women depending upon the comparative sense of gregariousness. On the other hand, the public poor house will be condemned by most and, in fact, has been one of the most potent factors in popularizing better methods of provision.

Thus by a process of exclusion there remain certain methods of adjustment in old age, incapacitated primarily by lack of economic opportunity: service pensions, dependence upon relatives, or so-called public old age pensions. Compulsory or social old-age insurance is obvious.

For continued on page 90

Sargent, Cont'd

000, Post Office 250,000, and other 300,000). Veterans Administration, 1,000,000; on "straight" relief, 3,500,000; on "work" relief and P.W.A., 1,500,000; C.C.C., 300,000; H.O.L.C., 670,000; total, 7,920,000.

Proposed under the Social Security bill: Unemployment compensation, 2,080,000; old age security, 3,750,000; total, 5,830,000.

This trend toward increasing the number of direct beneficiaries of Federal funds is one to which every legislator and taxpayer must give most serious concern, both with reference to the proposed bill and other legislation.

Whose children shall pay?

To emphasize the difficulty of answering this question I quote as follows from the Economic Security Committee's own report:

"We deem it advisable that the Federal Government should not pay its share of the cost of old-age annuities currently . . . To pay this cost now would unfairly burden the younger part of the present generation, which would not only pay for the cost of its own annuities but would also pay a large part of the annuities to the people now middle-aged or over.

"There may be valid objections to this plan, in that it involves too great a cost upon future generations."

The bill will effect vital changes in the nation's entire economic system. Under the proposal of Secretary Morgenthau, after a few years the net tax on employers' payrolls would be 5½ per cent. Figures show that for the 5-year period 1922-26, inclusive, a 5½ per cent payroll tax would have equalled 57 per cent of all net dividends paid on common stocks.

Some industries will be able to pass all or some of the cost to consumers—many other industries will not. The consumer will pay part of the cost, dividend holders will pay the rest. And if the dividend payments become so low that capital is not attracted to an industry, or is driven away from it, the employees will be among the chief sufferers.

The most colossal administrative agencies ever set up by a government would be necessary to administer the unemployment insurance, old age benefits, dependent children, public health and other features of the Economic Security bill. No less than 142,000,000 ledger accounts will be required for the unemployment and contributory pension sections alone, based upon the assumption that, roughly, 26,000,000 persons will be covered under the unemployment insurance, and 32,000,000 under the provision for contributory pensions. Three separate accounts, one by the employer, one by the State, and one by the Federal Government, would be required for unemployment insurance and two separate accounts—employer and Federal Government—for old age pensions.

Yearly direct payments from the Federal Treasury specified in the bill total \$98,500,000 for the fiscal year beginning June 30, 1935, and \$218,500,000 for each fiscal year thereafter.

This bill does not affect only manufacturing. On the basis of all industries, including agriculture, the tax by 1957, would reach on the basis of the averages of 1929 and 1932 payrolls: unemployment excise tax, \$1,150,000,000; employment excise tax, \$1,000,000,000; earnings tax,

\$1,000,000,000; total, \$3,150,000,000.

On all industrial payrolls, including both manufacture and agriculture, the tax in 1949 and after would be \$2,200,000,000 for employers and \$1,000,000,000 for employees, a total of \$3,200,000,000 each year.

This is a net burden of 8 per cent on all payrolls, equal to the entire normal revenue of the government during the prosperous years 1923 to 1930.

However, despite the vast sums that would be collected for old age benefits, this pension plan still would remain unsound actuarially. The contributory old age pension plan would need a total reserve of 75 billion dollars, and the establishment of such reserve is strongly opposed by the Economic Security Committee.

The Economic Security Committee says that a reserve of \$75,000,000,000 would be necessary to have the contributory old age pension fund actuarially solvent; it estimates that its own plan, in the bill, provides a reserve of \$15,250,000,000 leaving a net unfunded floating debt to the people of the country of nearly \$60,000,000,000.

Another picture of what is in prospect for taxpayers is presented.

It is estimated by actuaries with whom I have been in contact that the maximum reserve under the unemployment compensation plan would be between five and ten billion dollars; and that the maximum reserve under the contributory old age pension plan as proposed by Secretary Morgenthau would be 50 billion dollars—a total of \$57,500,000,000. At 3 per cent interest on this volume of Government bonds, there would eventually be imposed on taxpayers an additional annual tax burden of \$1,725,000,000.

This country should not embark upon such an evidently costly program as this bill contemplates without greater knowledge of whither we are leaping—the present and future costs to which we and our children and grandchildren are being committed.

Figures of the Economic Security Committee show that of 7,500,000 persons over 65 years old, one-half of these are now dependent. Assuming that the bill is intended to care for these aged dependents, the total cost (on a basis of \$30 monthly) would be \$1,350,000,000 annually, of which it is contemplated that the Federal Government would pay half, or \$675,000,000, and the states an equal amount.

Investment of the accumulated funds would present a problem that might easily develop into a national menace. The bill grants the Secretary of the Treasury authority to invest or reinvest all or any part of the funds in Government securities, or Government-guaranteed securities. A report published by the University of Minnesota says:

The effect of the purchase of government bonds during the boom period would clearly be to stimulate investment . . . a stimulus toward larger capital investment would therefore follow from this policy, and the boom would thus be intensified. On the other hand, the payment of unemployment benefits from the sale of bonds during the depression period would necessarily tend to depreciate the bond market and intensify the liquidation process, and to this extent increase the severity of the depression.—*Extracts, see 4, 1935.*

Rubinow, *Cont'd*

ously but a modification of service pensions extended from one specific employer to the entire industrial history of the individual.

The obvious problems that present themselves as soon as the whole question is considered are: what to do with the unknown distressing residuum, the people on the bottom, the people who manage to get along, we don't know how; only slightly above them is the population of our poor houses and county homes. They present the picturesque though gruesome aspect of the problem of old age. For them private social agencies have advocated private assistance or even public outdoor relief, and more recently old-age pensions. All the praiseworthy effort of disguising the poor relief aspect of so-called old-age pensions are praiseworthy indeed. They indicate the humaneness either of the social worker or reformer or legislator. Yet an analysis of the situation should not find any difficulty in recognizing that disguise. Can one question what the result of an inquiry would be among millions of workers, young or old, and particularly young, if they were asked to state what method of provision for themselves they would prefer, an ample and earned service pension or dependence upon a skimpy and gratuitous grant out of public funds? But in presence of millions who have not earned their pensions and are in need of help, a discussion of this character might appear to be purely academic.

In a sliding scale of social conditions the choice is never between the uppermost and the lowest rung. No human being, except it be in sentimental movies, has his choice between clipping coupons and sleeping in a Bowery lodging house. The choice usually lies between adjacent areas. I would want to provide to all those who are not economically independent and who cannot continue at their normal occupation, a decent and reasonable service pension. There is no social justice in limiting the opportunity for such pension to the lucky few who have worked all their life for one large and prosperous and generous corporation. But it cannot be done—certainly not in a day or a year. Again, any action on behalf of the aged is induced by the problem of the aged of today, and a public grant with or without disguise is obviously the only practical way of meeting that problem. It is a rational way on the part of working society, you and me who are still earning a living, to meet the problem of old age of the other fellow, of the old men and women who are down and out. But how many are there, not only among us but among the millions of wage workers, salaried employees or even farmers, who would be willing to consider this method a satisfactory answer to the problem of the future, the problem of their own old age? If, then, we only are concerned about the problem of distress of the aged of today, an old-age pension system, perhaps more generous than those already adopted, may be considered sufficient. But if we are to legislate for tomorrow as well, the advantages of a service pension system must be recognized.

As to what should be the best method of procedure is another problem—perhaps merely a technical problem which must receive separate consideration. Whether to establish a comprehensive system of compulsory insurance in which the entire financial responsibility for the years

gone by, spent in service by each individual prior to his insurance, will be carried by the public treasury, whether to adopt and continue straight old-age pensions, side by side with the compulsory insurance scheme and allow the insurance scheme gradually to replace the free pension system, is a question of method. Whether both steps should or can be taken at once will depend very much upon the social and political situation of the moment. England and France adopted old-age pension systems years before the compulsory scheme was provided. In this country we already have some thirty state old-age pension systems not all of equal effectiveness. It is not unreasonable to expect that with some effort the system might become universal except for the inevitable tardiness of the South in social legislation. The skimpiness of even the best of their systems and the tendency to reduce the standard pressure of fiscal difficulties points to the desirability of a national subsidy and control; but at best the method cannot be expected to come up to the dignity and thoroughness of service pensions through compulsory old-age insurance.

American pension legislation evidently assumes without argument that the method of support by children, is at least as desirable as, or perhaps preferable to, public support through old-age pensions. It makes the violent assumption that wherever such support is found it represents socially a satisfactory answer to the problem of old age. It says little as to the social cost that the imposition of this burden of support of the aged upon their children represents, it pays no consideration to the lowering of standard of millions of families and their children. It assumes that the average wages today are sufficient not only for the maintenance of the worker and his wife and the children, but even of ancestors. Perhaps it is only through the humaneness in the application of this principle that the cruelty of this system is somewhat mitigated. But it is that very humaneness that emphasizes the charity aspect of American so-called pension legislation. In our haste to get something done we have allowed this point of view to penetrate practically all of our state pension legislation that has been written on our statute books during the last ten years. The implications are too obvious to require any extensive comment. Only national control over State systems achieved through the promise of a Federal subsidy or threat of its elimination can correct this tragic situation.—*Extracts, see 7, p. 96.*



by Hilding Siverson

Special Correspondent, Washington Post

★ *Mr. Siverson points out the pitfalls in "guaranteed security" and its danger to the Republic and leads for "sound" principles of democracy.*

LAST winter a professor in a mid-land university asked the members of one of his classes to answer a question to this effect: "If you had a choice between outstanding success with hard struggle on one hand, and bare but secure living on the other, which would you choose?"

Presumably under the terror of the difficulty of getting jobs which has been haunting college graduates for three or four years, they voted, by a large majority, for the second alternative. The professor was dumfounded—so dismayed, in fact, that he sought to conceal the findings.

What has brought about this disquieting state of mind?

Doubtless much of the responsibility lies upon the shoulders of certain advocates of the New Deal who have thoughtlessly assumed, with no recognizable mandate from the electorate, that this nation actually has undertaken to guarantee a living to everyone, in good times or bad, regardless of whether the individual is willing to work for that living.

In a recently published book Frazier Hunt draws the rather clear conclusion that Russia is one of the leaders in the march toward a more widespread state of human happiness.

In this book there is an implied relation of these idealistic concepts to the New Deal, which exalts "the forgotten man" and suggests pointedly that the era of rugged individualism is all washed up, hung on the line, and ready to be laid away in attic trunks along with lavender and old lace—which was good for Colonial dames, but entirely out of harmony in a modern age of lipstick, painted toenails and rouge.

People can argue until the Last Great Drought about this thing, theoretically, but the amazing thing is that few if any of the New Dealers have actually discarded rugged individualism for themselves. They have simply made an academic and theoretical fetish out of Guaranteed Security, applying it to some vague and largely non-existent public entity, when they know full well that in actual practice it won't work, and that the promulgation of the Guaranteed Security idea is a virulent poison in the capillaries of the nation.

The result of the poll in the university class is symptomatic of what happens when a pernicious and intellectually dishonest doctrine gets in its work. People may as well face the hard fact, which is this: Even among the finest people on earth, the majority are willing to let things slide along somehow if the incentives to hard work are removed. Corollary: Very few people are going to work hard at anything if they became convinced that someone else is going to profit by their labor without effort.

The corollary emerges when you consider this fact: Guaranteed security for all means greatly increased public expense, which means greatly increased taxation. Those who are still able to forge ahead as sturdy individualists, showing greater intelligence, will power and courage than

the average, will be penalized for doing so by being taxed out of a large share of their earnings. Under a system of guaranteed security there is a very powerful tendency to exalt the lazy, the inefficient and the improvident person, and to drag down and ultimately dishearten, defeat and crush the man who works hard and shows outstanding ability. Guaranteed security may be likened to a deadly two-edged sword, which cuts both ways against the courage, will power, strength and genius of a people.

It is difficult to find a kinship between the Square Deal and the New Deal. No statesman in American history exalted the virtue of sturdy and courageous individualism more eloquently or effectively than Theodore Roosevelt.

The real "rhythm" that comes out of Russia is the rhythm of regimentation and reaction. It is not at all "new," for it is a reversion to doctrines prescribed by Lycurgus, Vespasian and other ancients, the doctrines always ending in failure and disaster. There are only two taskmasters to compel people to work for their livings. One is natural necessity under an individualistic system, and the other is the drastic compulsion of a dictatorship.

It is only when a nation has resolved itself into a group of individual strivers, seeking to wring from reluctant nature a good living by sheer individual labor and struggle and genius, that a nation has risen to its greatest heights. The Middle West has been a good proving ground. That abuses have crept into this way of doing things is inevitable, but those abuses can be cured by intelligent voting. At their worst under the American regime thus far they cannot be as bad as to the rotting of fiber that will take place under a long regime of guaranteed security.

The great and fatal mistake made by the idealists who paint the beauties of guaranteed security is that they utterly close their eyes to the devastating fact that human beings, for the most part, won't work unless they have to work. Incentive is necessary to the continuation of any form of animal life.

Life can never be good for all men, for too many men need the sharp prod of necessity. It cannot be honestly assumed that a man is out of work merely because of the "system," because economic conditions are bad. He may be out of work because he is lazy or ignorant or improvident. There are literally millions of such in the country. Those who ignore this patent fact are doing a great disservice to the country. They are sowing the wind and will reap the whirlwind.

The real forgotten men at this time are the first category of taxpayers. Taxpayers can be divided into two classes. One which is honest, thrifty and of excellent citizenship, and the other predatory. These taxpayers are supporting another two classes—those who are also honest, thrifty and of excellent citizenship, but temporarily in need, and the others who are nautral and permanent idlers and parasites. If the New Dealers will analytically remember this and deal less in glittering generalities about guaranteed security for all, they will be starting a new current of thought which will be intensely gratifying to the citizens of the Middle West, who hold to an ancient, honorable and successful tradition.—*Es-tracts, see 6, p. 96.*

Is the Townsend Plan for "Old-Age Revolving Pensions" Sound?

PRO

by F. E. Townsend, M. D.

Author of the Plan

BRIEFLY, the Townsend plan proposes a pension from the Federal Government of \$200 a month for every person more than 60 years old, the money to be spent each month before another \$200 can be received. It means that where a man and wife both were 60 or more the combined pension would be \$400 a month and that they would have to spend it to receive more.

The immediate placing of nearly 2 billion dollars into trade channels as a revolving fund, to be turned over and renewed each month, would put the United States back on its feet through the stimulation of industry and commerce—through the immediately increased demand for all commodities and the resultant increase in employment.

"Why make it \$200 a month? That is more than most of the employed are earning now. Why not \$100 a month?"

Because, to cut it in two would be to cut its economic benefits in two. Please understand this; the persons more than 60 who receive the pension will be performing a task and a duty when they spend their pensions. The chief purpose is to get someone to spend money, to increase the buying power of the nation. The more that is put into circulation the better off we will be as a nation.

"But the average old couple couldn't spend \$400 a month, could it?"

There is where you are mistaken. Most of those who would benefit have been pinched by the lack of sufficient money most of their lives. They never have had all they desired of anything.

All that would be putting money into circulation, and that is the objective. There would be no particular economic benefit in distributing "pork and bean" money. That has been done through other pensions and through present relief work and it doesn't get us anywhere.

"Wouldn't the operation of the plan place an enormous additional tax burden on those who were doing the country's work?"

No, not an enormous burden. Suppose the first cost was 2 billion dollars to put the pension in the hands of from the 6 million to 8 million persons more than 60 years old. That would be returned to the government monthly through the collection of a tax on all business transactions. In the first place there would be immediately an amazing increase in the number of business transactions, and the number would increase as the pensioned

CON

by Walter Lippmann

Journalist and Author

THE Townsend plan proposes:

1. That every man and woman over 60 years of age shall stop working for gain.
2. That the Federal Government shall pay each man and each woman over 60 a monthly pension of \$200, provided, first, the pensioner is not a habitual criminal, and provided, second, that he or she will take an oath to spend the whole \$200 within 30 days.
3. That the cost of the pensions be raised by a general sales tax.

Dr. Townsend believes that of the 10,300,000 persons eligible for the pension, 8,000,000 will apply for it. At \$2,400 a year, the annual cost of the Townsend plan would, therefore, be about \$19,200,000,000, plus the cost of administering it, or about 20 billion dollars. This sum has to be raised by a general sales tax.

Retail sales this year have been about 30 billion dollars. So the Townsend plan would have meant that for every dollar anyone spent in a store this year, he would have had to pay an additional 70 cents tax. Thus, for example, a 10-cent loaf of bread would have had to cost 17 cents, a 20-cent gallon of gasoline would have had to cost 34 cents, a \$600 car would have had to cost over \$1,000. A man earning \$1,500 a year would have had to give up about \$600 of it in taxes.

Persons on relief, now receiving on the average \$25 a month, would have had their purchasing power reduced to \$15 a month. A disabled veteran receiving a pension of \$50 a month would have been taxed until he had only \$30 a month to spend. Even Dr. Townsend's pensioners would not have had \$200 a month to spend. They would have had less than \$120 a month, for more than \$80 would have been taken in taxes.

Anyone can figure out for himself the minimum that the Townsend plan would cost him; he has only to subtract about two-fifths from his expenditures. For every \$100 he now spends, he would, under the Townsend plan, have \$60 to spend. The rough arithmetic of the matter is as follows: \$60 plus a 70 per cent tax on \$60 equals \$102.

Why, then, does Dr. Townsend think he has found a way of making everyone richer? His argument is as follows: If the 8,000,000 persons over 60 who are now working for gain would stop working, there would be 8,000,000 more jobs for the persons under 60. If, at the same time, these 8,000,000 would each spend \$2,400 a

Townsend, *Cont'd*

persons learned better how to spend money. The tax would be reduced as the volume of business increased.

It would increase the cost of living, and isn't that what President Roosevelt has been trying vainly to do; to raise the market prices of commodities? But don't forget the primary purpose is to stimulate business and employment. What benefit is there to an unemployed man in low prices if he doesn't have the money with which to buy? And isn't he immeasurably better off with higher prices and a job? Isn't every one better off when the nation is busy, when business and industry are humming? Does anyone worry about high prices then? No, high prices are the accompaniment of prosperity.

No one has to retire unless he desires. Let the man who desires go ahead with his work, but not a great number will do so.

It would be just as easy to select some other group to spend the pension money, but I believe the selection of that group past sixty would solve both a social and an economic problem.

Certainly it would be a wonderful prospect for the aged to have the fear and doubt of their last years removed and there could be no fear of weakening the fiber of our ambitious people through providing for those who have lived their most useful years.

Here they are either working and competing with young men and women striving to get a start in life, or they are competing at a great disadvantage with the young for jobs. This plan certainly would take out of business and industry millions of persons who have served their time and served their nation well.

And that is where the benefits to those under 60 would come in.

Take out of competition those who have served their time and are willing to retire and enjoy themselves and you have opened up the millions of places vacated to the younger and more ambitious.

But that is only a part of the benefits for those under 60. The forced circulation of 2 billion dollars a month through every line of business would open up millions of new jobs for those under 60.

Think what it would mean to remove fear from the lives of the old, to create places for the young as they step out into life and to give assurance to the middle-aged that they could go their best without fear, because when they reached 60 they at least would be sure of a comfortable living. No cold chills in the night over the thought of the poorhouse or the "old folks' home."

More efficiency in productive years is destroyed by worry over old age than any that would be lost through a feeling of security. Ambition, the desire to accomplish, is inborn in the American. You couldn't destroy that in those years when his blood runs fast and his brain works quickly.

It is just as natural for man or woman in the energetic years to desire to do things in their respective lines as it is for a child to take its own exercise.—*Extracts, see 8, p. 96.*

Pro continued on next page

Lippmann, *Cont'd*

year, they would create a tremendous demand for goods and labor.

This amounts to saying that if there were fewer persons working and if those who do not work would spend more, the country would be richer. If that is so, then why stop with pensions of \$2,400 for persons over 60? Why not \$5,000 pensions for persons over 40? Or \$10,000 pensions for persons over 30? What can be said against these proposals that must not also be said against the Townsend plan?

Dr. Townsend's error lies in forgetting the simple truth that someone must produce the wealth which is consumed by the non-producers, be they infants, old people, sick people, the unemployed, the idle rich or the criminal classes. If Dr. Townsend's medicine were a good remedy, the more people the country could find to support in idleness, the better off it would be.

Dr. Townsend is, in my opinion, a public benefactor. He has succeeded in inventing a conundrum which reduces to absurdity a whole mass of ideas that have had great vogue during the depression. Some of these ideas are current in forms which make it harder to detect the catch than it is in Dr. Townsend's scheme. They all, however, derive from the same notion, which is that if people worked less and spent more, they would be richer.

Business men have had the idea that they must curtail output and raise prices. Organized labor has had the idea that it could make work for all by reducing hours and raising wages. The farmers have been paid for restricting output.

Now, I do not wish to say that there are not specific industries which, in relation to other industries, were over-expanded. A clear case, I think, is wheat, of which actually too much is produced, and a sound argument can be made for paying a bounty to wheat farmers to help them in the transition to some other kind of farming. But the exceptions do not make a rule. If everybody tried to pay everybody else for not producing, the country would be bound to be much poorer.

The experiment has been tried, and the country is much poorer. In the depression, men have been unemployed and factories have been idle and less goods have been produced. The depression itself is the most drastic limitation of production ever experienced. The population on relief is the largest number of people ever supported in idleness. If there were any truth whatever in the theory that a nation can become prosperous by not producing, then the depression itself should have made us roaring rich.

Dr. Townsend wishes to remove from productive labor a paltry 8,000,000 persons. When the depression was going strong, 16,000,000 persons had been removed from productive labor. It did not make us prosperous. And for a very simple reason. Those who still had jobs had to support those who did not have them. Less wealth was produced, and so the standard of living had to fall.

Idleness does not produce wealth, and those who think it does are trying to make gold out of sea water and invent a machine for perpetual motion.—*Extracts, see 10, p. 96.*

Con continued on next page

by Robert Quillen

Syndicate Writer

A GROUP is sponsoring an idea that is worth passing on for others to think about. It is based on the assumption—or accepted fact—that America in this machine age can no longer provide jobs for all of her people. If that is in truth the situation we face, the obvious solution of the problem is to get rid of part of the people.

What part? Here again the answer is simple. Dispose of those who are slowing up—those who have done their share of work.

How can they be disposed of as competitors for jobs? By enabling them to retire with an adequate pension.

That, you will say, is the usual joker. Old-age pensions mean more taxes.

But you expect to pay for what you get in this hard world. If you would be secure in your old age, you must lay by money while you are young. If you depend on some form of retirement insurance, that also costs you money.

The taxes required to provide the pension fund would be the equivalent of installment payments on an insurance policy.

The tax suggested is a national tax on commodities in common use.

You wouldn't object to that kind of tax, for it would be much like putting money in the bank. With every purchase made you would lay away a little money to provide your old-age pension.

Then at 60 or 50 or any age that experience proved best, you would quit work and give your job to a younger man—or woman.

The only question that remains is the size of your monthly check. How about \$200? Does that seem too generous?

Well, what difference does it make if you have paid for it? It could be either more or less, depending on the percentage of the sales tax.

In any case it should provide a good living. And all of it would be put into circulation each month, for there would be no need to save if you were sure of a life income.

Think it over. There may be weak spots in it, but certainly it would make jobs plentiful, close poorhouses and similar institutions that add to the tax burden, and make care-free spenders of the anxious millions who now save for their old age.

The thing that lies at the root of all "unrest" is the feeling of insecurity.

Give them assurance of a living, in good times and bad, in sickness and in health, in vigorous youth and worn-out old age, and few industrial problems will remain.

It will cost money, but it will cost less than turmoil and uncertainty and strife. Contented workers are the one sure foundation of America's economic system.—*Extracts, see 13, p. 96.*

by Edwin E. Witte

Director, Committee on Economic Security

THE Townsend plan proposes that pensions of \$200 per month shall be granted to approximately 10,000,000 pensioners. The cost would be 2 billion dollars per month or 24 billions per year, a figure considerably more than double the present combined Federal, state, and local taxes, which in 1932 totalled only \$8,212,000,000. To finance the Townsend pensions, the plan provides that a 2% tax shall be levied "on the gross value of each business, commercial, and/or financial transaction," to be paid by the seller.

In the Townsend literature the claim is made that the total money value of all transactions in 1933 was 1,200 billion dollars. The nearest approach to such a figure is the total of all bank debits which in 1933 was 442 billion dollars. Allowing for exemption, approximately 400 billion dollars of transactions would have been taxable in 1933. At the 2% rate in the plan, this tax would have yielded 8 billion dollars, or about one-third the amount needed for the Townsend pensions.

Aside from the difficulties of collecting three times the amount of the Federal, state, and local taxes combined, the Townsend plan involves other great administrative difficulties. It provides that all sellers shall be licensed by the Secretary of the Treasury. In 1933, 2,359,497 establishments engaged in trade, and this is by no means the entire number of sellers who would have to be licensed and from whom taxes would have to be collected monthly.

Most difficult of all would be the necessary checking to see that the 10,000,000 pensioners all spent their \$200 within the month in which received. This would require going into the private affairs of the pensioners to an extent never before attempted and would necessitate a vast army of additional Government employees.

The Townsend advocates base practically their entire argument on the "revolving" feature of their plan. The total income of all of the people of the United States in 1933 was only 46 billion dollars. The people who are over 60 years of age are less than 9% of the entire population of the country. The Townsend proposal, consequently, might be described as a plan under which more than half the national income is to be given to the less than 9% of the people who are over 60 years of age. Unless there is a very great increase in the national income, this could be done only through reducing the incomes of the people under 60 years of age by approximately one-half.

The Townsend advocates claim that such a result will not be produced because business will be enormously stimulated through placing such a large amount of money in the hands of the old people to spend within the month in which received. They say nothing about the fact that the people under 60 will have approximately the same amount less to spend, and they will have to pay in taxes the amount which the people over 60 will get in pensions.

It is inconceivable that the people under 60 would submit to have their incomes reduced by one-half. The Townsend plan is one which involves not only revolving pensions but revolving taxes.—*Extracts, see 14, p. 96.*

Outline of Congressional Procedure for Passing Legislation

By Hon. William Tyler Page,

Clerk, U. S. House of Representatives, 1919-1931

The Measure Is Introduced

The process followed when a measure is introduced in the House or Senate may be briefly described. The bill is first dropped, let us say, by Mr. X into a basket on the clerk's desk known as "the hopper." The Speaker's clerk goes through the batch of new bills, and assigns the X bill to the committee having jurisdiction. The bill is numbered and proper records are made of its introduction and the bill is sent to the Government Printing Office, where a number of copies of it are struck off. The copies are deposited in the Documents Room of the House and Senate, where they are procurable by the members.

Is Considered in Committee

The committee considers the bill at one of its periodic meetings and decides either to report it in its original form or to report it with amendments. Sometimes extensive hearings on the bill are accorded its friends and opponents. Let us assume that the committee approves the X bill either with or without amendments. It is then reported to the House by the committee, with a recommendation that it be passed.

Takes Its Place on the Calendar

The clerk receives it and refers the bill and the report to the calendar. If it is a public bill, involving a charge of money or property, it is referred to the calendar of the Committee of the Whole House on the State of the Union. If it is merely a public bill, it goes to the House calendar, and if a private bill to the private calendar. More records of it are now made, and if it has been amended in committee, another batch of copies is printed, carrying the calendar number and showing the proposed amendments.

Is Taken Up for Consideration

Numerous are the ways provided by the House rules for taking up a bill once it is on a calendar, depending upon its nature, whether privileged or not. It may be taken up by unanimous consent, may be called upon calendar Wednesday by direction of the committee reporting it, may be passed under suspension of the rules, may come up on certain days if it is a private bill, or may take precedence over other bills if it is an appropriation or revenue bill. And if in the view of the Rules Committee the bill deserves prompt and special consideration, that committee may bring in a rule for its immediate consideration and prescribe the terms under which it may be considered, overriding all rules save the rule for a motion to recommit.

May Be Debated

Ordinarily the duration of the debate is determined by the importance of the measure. The discussion is generally opened by the chairman of the committee in charge and unless a specified time has been set for debate, it is ended by a motion for the "previous question" and the vote is taken.

Is Sent to the Senate

The X bill being passed, that fact is certified by the Clerk of the House, and the certified copy is carried by him to the Senate, where, after certain formalities, it is received by the Vice-President and by him referred to the Senate committee having jurisdiction of the subject matter. Here it undergoes another process of examination.

Is Considered in Senate Committee

The Senate committee, in turn, is at liberty to hold hearings, to shelve or "pigeonhole" the bill, to approve it as it stands, or to make amendments of its own. If approved or amended the X bill is reported in due time to the Senate, where it takes its place on the Senate calendar.

May Be Returned to the House

If passed by that body, it is returned to the House. If the bill has been amended by the Senate and the House accepts the amendment, that ends the matter and the bill is signed by the Speaker and the Vice-President and is presented by the Committee on Enrolled Bills to the President for his approval or rejection, as the case may be.

May Go to Conference

But if, on the other hand, the House disagrees to the Senate amendments, the Senate is so informed and if it still insists upon its amendments, each branch appoints representatives to a joint conference committee, which is charged with the duty of compromising the differences between the two bills. The committee nearly always reaches an agreement, and its report is almost invariably confirmed by the vote of the two branches.

Exceptions

This is an outline of the progress of an ordinary measure to final adoption. In the case of bills of major importance, as, for example, a general tariff bill, not only the House Ways and Means Committee, to which such legislation is confided, but the Senate Finance Committee, which exercises a corresponding function for the upper branch, holds public hearings for the discussion of the legislation in hand. It sometimes happens that the Senate and House committees are far apart in their final conclusions as to the details of grave measures, and in such cases a heavy responsibility is intrusted to the conference committee. More and more, in both Houses, the powers of conference committees are being curtailed.

Conclusions

The X bill has a happy fate, compared with the great mass of bills submitted. Much of the time of the committees is given to the rejection of bills, and the committee rooms are, as has been intimated, the graveyards of a very heavy percentage of the Congress offerings. But once a bill escapes from the committee into the House it is disposed of with clock-like precision.

A Reference List on Questions of Old-Age Pensions From Library, U. S. Department of Labor

Periodical Articles

"Administration Problems and Policies Connected with Old Age Relief." *Social Service Review*, Sept. 1932, 513-518. Group discussion by R. W. Wallace, J. E. Alloway, Gladys Fisher and Richard Cadbury at the 1932 meeting of the American Public Welfare Association.

Conyngton, Mary.: "Extent and Distribution of Old Age Dependency in the United States." *Monthly Labor Review*, Jan. 1934, 1-10.

Dublin, Louis I.: "Care of the Aged." *Forum*, Dec. 1933, 361-366.

Epstein, Abraham: "Economy or Greed—Which Is It?" *Old Age Security Herald*, Feb. 1933, p. 1.

"Old Age Pension Laws in Twenty-Five States." *Public Management*, June 1933, 185.

"Old Age Security; a Problem of Modern Industrialism." *Harvard Law Review*, Apr. 1933, 1012-1018. (Bibliographical footnotes.)

"The Poorhouse in Retreat!" *Social Security*, Sept.-Oct. 1933, p. 3-4. Summarized in *Monthly Labor Review*, Nov. 1933, p. 1095-1096.

U. S. Bureau of Labor Statistics: "Operation of Public Old Age Pension Systems in U. S. in 1931." *Monthly Labor Review*, June 1933, 1259-1268.

"Experience Under State Old Age Pension Laws in 1932." *Monthly Labor Review*, Aug. 1933, 251-262.

Vinton, Warren J.: 115,000 Aged Pensioned in 1932. *Social Security*, July-Aug. 1933, p. 5.

Berlin, William M.: "Necessity of Old Age Pensions" (Radio Address) *Congressional Record*, Feb. 16, 1934.

Ellebogen, Henry: "A National Contributory System of Old Age Pensions." Extension of remarks . . . in the House. . . Feb. 20, 1934, *Congressional Record*, Mar. 2, 1934. Also, "The Need for a National System of Old Age Pensions." (Radio Address) *Congressional Record*, Feb. 6, 1934.

Faddis, Charles I.: "A Plea for Old Age Compensation" (Radio Address) *Congressional Record*, Feb. 20, 1934.

McKeown, Tom D.: "Old Age Pensions." (Radio Address) *Congressional Record*, Jan. 22, 1934.

O'Malley, Thomas: "National Old Age Pensions." (Radio Address) *Congressional Record*, Jan. 5, 1934.

Randolph, Jennings: "Federal Old Age Pensions." (Radio Address) *Congressional Record*, Jan. 8, 1934.

Rogers, Will: "Old Age Pensions." (Radio Address) *Congressional Record*, Jan. 29, 1934.

Truax, Charles V.: "Old Age Pensions." (Radio Address) *Congressional Record*, Jan. 16, 1934.

Walsh David I.: "National Old Age Pensions." (Radio Address) *Congressional Record*, Feb. 22, 1934.

American Labor Legislation Review. Issued by American Association for Labor Legislation. New York; quarterly. (Reviews progress of the movement in each issue. Record of the year in June 1933 issue; Pension map of the United States in September 1933 issue.)

Social Security. Issued by the American Association for Social

Security, New York, monthly. Previous to July-August issue, 1933, the *Old Age Security Herald*. (Reviews the progress of the movement in all issues. An "analysis of Old Age Pension Bills in 34 State Legislatures in 1933." in March-April 1933 issues of *Old Age Security Herald*.)

Commonwealth Club of California: "What Price Old Age Security?" San Francisco, 1933. (Its Transactions, Jan. 17, 1933, p. 337-376. tables.)

Wallace, R. W.: "Has Economy a Place in the Administration of Old Age Relief?" *Social Welfare Bulletin*, New York (State) Dept. of Social Welfare, Jan. 1934, p. 3.

"An O. A. P. Law for Pennsylvania." *Eagle Magazine*, March 1934, p. 5, 6, 22, 23.

Williams, I. J.: "The Menace of Old Age Pensions: Should the Legislature of Pennsylvania Have Power To Grant Pensions to 'Aged' Persons Having 'Inadequate' Incomes?" *Pennsylvania Manufacturers Journal*, June 1933, p. 3-5.

Books and Pamphlets

American Academy of Political and Social Science, Philadelphia. *Social Insurance*, edited by C. A. Kulp, 204 p. Its Annals, Nov. 1933. (Includes (p. 93-111): "Do we need State old age pensions?" Yes, by Charles Denby, Jr.—"No," by W. E. Odom—"The American State old age pension system in operation," by A. Epstein.) Also in the Report of the committee, 1933. Encyclopedia of the Social Sciences. New York, 1933. "Old Age" by I. M. Rubinow, vol. 11, p. 452-462.

Epstein, Abraham: "Insecurity, a Challenge to America; a study of social insurance" . . . New York, H. Smith and R. Haas, 1933. 680 p. (Pt. VII: Old age and invalidity pensions: The tragedy that is old age.—The inadequacy of present provisions for old age.—The old age pension movement in the United States.—Old age pensions abroad.)

Fogarty, James: State aid in several forms of public relief. Washington, D. C., Catholic University of America, 1932. 190 p. "State aid in old age pensions and blind relief": p. 114-133. References: p. 131-133.

Fraternal Order of Eagles: "The Poorhouse is Going": South Bend, Indiana, 1933. 8 p.

Intercollegiate debates: Volume XIII, New York City, 1932. 1 v. "Old age pensions: Kent College vs. De Pauw University": p. 291-310.

Metropolitan Life Insurance Co.: The Problem of Old Age Dependency: Some Observations on its Relief and Prevention. New York, 1932. 47 p. tables. (Monograph 13 in a series on social insurance.) "United States Old Age Assistance Laws": p. 21-23.

National Conference on Old Age Security, 6th, New York, 1933. *Social Security in the United States*, 1933. A record, New York, American Association for Social Security, Inc., 1933, 123 p. Partial contents: "The middle-aged worker—his chance in industry," by S. Barkin. "Latest administrative problems in New York," by R. Cadbury. "What New Jersey's experience with old age security reveals," by J. E. Alloway. "Three years of old age security in California," by O. E. Henderson. "Latest developments in industrial pensions," by E. D. Hackett. "Census of old age pensions."

Stevenson, Marietta: "Old Age Security and Unemployment Insurance. Legislative Trends and Enactments," by Marietta Stevenson and Lucy Williams Brown. Chicago, American Public Welfare Association, 1933. 15 p.

Sources of Material for This Issue

- 1—*Public Old Age Insurance in the U. S. and Foreign Countries*, Bulletin 561, Bu. Lab. Statistics, Dept. of Labor.
- 2—*Old Age Pension Legislation in U. S.*, Bulletin R. 119, Bu. Lab. Statistics, Dept. of Labor.
- 3—(Brown) Hearings, Senate Committee on Finance, Feb. 1-9, 1935. (Wagner) January 22, 1935.
- 4—(Sargent) Press Statement, Feb. 15, 1935.
- 5—(Hastings) *Congressional Record*, Feb. 6, 1935.
- 6—(Siverson) *Washington Post*, Oct. 28, 1934.
- 7—(Rubinow) Address, Nat'l. Conference on Economic Security, Wash., D. C., Nov. 14, 1934.

- 8—(Townsend) Press Statement, Dec. 6, 1934.

- 9—(Focht) *Congressional Record*, April 18, 1934.

- 10—(Lippmann) *St. Louis Post Dispatch*, Jan. 4, 1935.

- 11—(Gore) Interview *Washington Post* and Hearings, Senate Committee on Finance, Jan. 25, 1935.

- 12—Statement by H. Walter Forster, actuary; Hearings, H. Com. Ways and Means, Jan. 31, 1935.

- 13—(Quillen) Reprinted from Townsend literature.

- 14—(Witte) Press release of January, 1935 (No. 4624).

SPECIAL TRIAL OFFER
— to —
Political Science Instructors

FOR ONE DOLLAR (\$1.00)

1. A 3-Month Subscription to the Congressional Digest

Containing

Complete text material for three months' class instruction

2. A Copy of the Digest's Handbook for Instructors

Outlining

A plan for classroom organization by the conference method

Order From

THE CONGRESSIONAL DIGEST

2131 Leroy Place, N. W., Washington, D. C.

PUBLISHED THE FIRST OF EVERY MONTH EXCEPT JULY AND AUGUST

CONGRESSIONAL DIGEST,
2131 Leroy Place, Washington, D. C.

Please enter subscription for years.

☐ Enclosed find \$..... in payment. ☐ Send bill.

Name

Address

City State

By the year: U. S. \$5.00; Canada, \$5.25; Foreign \$6.50 (U.S. Money). 50c a copy. See front cover for special rates.



NEXT MONTH

CONGRESS AND INDUSTRIAL RELATIONS

Labor's Thirty Hour Week Bill
Proposed Labor Relations Board
Future of "Section 7-A," N. R. A.

With
Full Pro and Con Discussion

IN

THE CONGRESSIONAL DIGEST

Published at
WASHINGTON, D. C.

Five Dollars a Year

Fifty Cents a Copy